FINANCIAL TIMES

No. 27,697 Wednesday October 25 1978 *15p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 25; DENMARK Kr 3.5; FRANCE Fr 3.0; GERMANY DM 2.0; ITALY L 500; NETHERLANDS Fl 2.0; NORWAY Kr 3.5; PORTUGAL Esc 20; SPAIN Pta 40; SWEDEN Kr 3.25; SWITZERLAND Fr 2.0; EIRE 15p

NEWS SUMMARY

GENERAL

Secrets case charges dropped

The four main charges in the Old Bailey secrets trial have been dropped after what the judge called "protracted legal argument" during which the jury was sent out.

The four counts, under Section One of the Official Secrets Act, all carry a maximum sentence of 14 years. The defendants, two journalists and a former Army intelligence corporal, still face four Section Two charges, which they deny, carrying a maximum two-year sentence.

Mr. Justice Mars-Jones made his direction to the jury on the 16th day of the trial and after the so-called Colonel B had been giving evidence for seven days.

Deadlock in health talks

Ten hours of talks at ACAS headquarters on the hospital workers dispute broke up late last night without making progress on the major points at issue. Talks have now been going on for a total of 24 hours and will resume today.

Tanker to sink

The owners of the Greek tanker Christos Bitas, lying damaged in the Irish Sea, do not consider the vessel worth repairing so it will be towed into deep water and sunk. Most of its oil has been pumped out.

Israel talks

Israel's Cabinet, after 11 hours of debate over two days, will need a third session today to reach a decision on the draft peace agreement drawn up with Egypt at the Washington talks. Page 5

Aid for Zambia

Medical aid for Zambian victims of the recent Rhodesian raids left London following approval from Judith Hart, Overseas Development Minister.

Fishing ban

John Silkin, Fisheries Minister, said that from November 5 vessels more than 60 feet long will be banned from coastal waters around Devon, Cornwall and the Isles of Scilly in order to protect the inshore mackerel fishery.

£10m car frauds

Dishonest car dealers who turn back mileage recorders are committing frauds worth at least £10m a year, according to Gordon Borrie, director-general of fair trading. Such action could increase a car's value by up to £1,000. Page 10

Bribes deal No

A Washington judge has rejected a deal between lawyers representing Westinghouse and the U.S. Government by which Westinghouse would have admitted lying about bribes and paid $3000,000 in fines in exchange for the name and nationality of a bribed official remaining secret. Page 4

Bridge meeting

William Rodgers, Transport Secretary, has called a meeting in a bid to settle the Humber Bridge dispute. The bridge authority will explain why it has refused to pay British Bridgebuilders £1m in progress payments on grounds of poor productivity. Back and Page 9

Radio go-ahead

Government approval has been given for 18 local radio stations, nine each for the BBC and the IBA. They should be on the air by 1980. Page 10

Briefly . . .

Gas pipeline exploded near Houston starting a fire in which at least five people died.

Nearly 383,000 have visited the motor show in the first five days.

Chuen Chuen, Peking zoo's panda, has had twins by artificial insemination. One died.

President Giscard of France begins a visit to Rome today and he will meet Pope John Paul II. Page 2

Chief Minister of India's Haryana state has disowned his son, arrested for smuggling watches and pens.

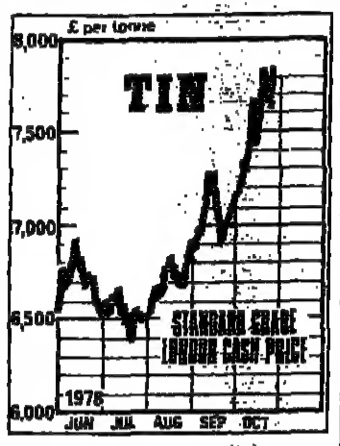
BUSINESS

Equities up 0.9; record for tin

● INITIAL gains in equities after the Vauxhall anti-strike vote were reduced and the FT ordinary index closed 0.9 up at 496.5. Golds fell further and the Gold Mines index closed 4 down at 149.9, a two-day loss of 11 points.

● GILTS were ¼ up in the longs and marginally better in the shorts. The Government Securities Index rose 0.08 to 69.63.

● TIN values soared again in London because of renewed squeeze on supplies to close at a record £7,845 a tonne, up £227.5. Page 39



● STERLING closed unchanged at $2.0075 after touching a $2.0120 high before midday. Its trade-weighted index was unchanged at 62.1. The dollar's depreciation narrowed to 11.3 per cent (11.4).

● GOLD fell $1 to $226½ in London. New York Comex October settlement was $227.90 ($225.30).

● WALL STREET was 7.11 down at 832.55 in moderate trading.

Carter limits pay rises to 7%

● PRESIDENT CARTER unveiled his anti-inflation programme: wage rises to be limited to 7 per cent; price increases to be kept to 0.5 per cent below 1976-77 increase; sanctions planned against offending companies with Government contracts but programme described as voluntary; a tight rein on federal spending.

● ROAD HAULAGE charges should not rise faster than the inflation rate, the Price Commission has said. Back and Page 7; Editorial comment Page 18

● MITSUBISHI, the Japanese motor group, is to buy an initial 30 per cent stake in Chrysler Australia for about A$39.4m. Back Page

● THE SLOWER growth of sterling M3, on which Government policy concentrates, is unrepresentative of the more rapid monetary expansion, stockbrokers W. Greenwell has warned. Page 9

● EUROPEAN Monetary System, as proposed at present, is worthless and of no advantage to Britain, says Lord Armstrong, chairman of Midland Bank. Back Page

● BRITAIN is about to repay a further $1bn of its IMF debt. Page 10

LABOUR

● FLEET STREET'S 33,000 printers and related workers have tabled pay claims estimated by employers to total 45 per cent. Page 12

● SLADE, the print process union, has been allowed by the High Court to hold a ballot on merger plans with the National Graphical Association. Page 12

COMPANIES

● XEROX, the copying and duplicating group, had a 16.5 per cent rise in net income at $122.7m ($105.3m) for the third quarter. Page 34

● UNILEVER is arranging to raise FFrs 100m (£11.9m) through a Eurobond issue. Page 36

● GUINNESS MAHON directors have elected Mr. Graham Starforth Hill as chairman to succeed Mr. D. Robson.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Excheq. 12pc '99-02	£95½	+ ½
Cartiers	109	+ 5
Cement-Roadstone	106	+ 6
Ductile Steels	131	+ 3
Highland Dist.	157	+ 10
Lee Cooper	182	+ 7
McInerney	38	+ 4
Paterson Zoch. A n/v	185	+ 15
Smurfit (J.)	210	+ 6
Stanley (A. G.)	168	+ 4
Tozer Kemsley	57	+ 4

FALLS		
Davy Crpn.	147	− 6
Dawson Intnl.	195	− 5
Grimshawe	50	− 5
ML Hldgs.	200	− 15
Runciman (W.)	66	− 4
Randfontein	£30¼	− 1¼
Venterspost	193	− 14
Kloof	507	− 23
Welkom	290	− 14
Union Crpn.	266	− 10
De Beers Dfd.	377	− 9
Bishopsgate Plat.	105	− 5

France agrees to UK rejoining Airbus project

BY MICHAEL DONNE, Aerospace Correspondent

Britain's long-discussed bid to rejoin the European Airbus Industrie consortium, to help develop the A-310 version of the increasingly successful A-300 Airbus was finally approved yesterday by the French Government.

British Aerospace, the nationalised aerospace manufacturer, which has been building the wings for the A-300 for several years on a private-venture basis, will now formally become a partner in Airbus Industrie from January 1, with a 20 per cent stake in the consortium.

This stake will comprise work on design, development and production of the wings for the 200-seat A-310 version, alongside continued work on the wings for the A-300, at the British Aerospace factory at Chester, though some work may be spread through other British Aerospace factories.

The French approval, still to be formally ratified by all the governments involved, came after a meeting in Paris between officials of France and the UK at which the French had the mandate to negotiate on behalf of West Germany.

The timing of the decision, announced by M. Joel le Theule, the French Transport Minister, appeared to take both Whitehall and the UK aerospace industry by surprise, because earlier officials had not expected an agreement this week.

But there appeared some uncertainty as to the precise details surrounding the agreement.

The UK officials appeared to believe that the French had at last accepted the British contention that the UK should have equal voting rights with the French and West Germans from January 1, even though its stake was smaller than that of France and West Germany.

But the Paris statement by M. le Theule suggested that Britain would not get equal voting rights until August 1, 1981. This did not accord with the British view of what was negotiated, and caused some concern, especially to British Aerospace.

Lord Beswick, chairman of British Aerospace, said: "I hope it is going to be all right, but the details have yet to be confirmed."

Late last night it was suggested from Paris that the equal voting rights by 1981 referred only to the A-300 programme and not to the new A-310 on which full voting rights would be available to Britain from January 1.

A key feature of the deal is that the Government has agreed that British Aerospace will not become involved in development and production of any aircraft competing directly with Airbus Industrie.

This does not affect Rolls-Royce, which can continue with its deal to put its RB-211-535 engines into the new Boeing 757 jet airliner. Nor does it prevent independent sub-contractors seeking equipment and component work in the U.S. airliner programmes, which many of them are already doing.

But it does appear to prevent British Aerospace itself from participating independently in development of the Boeing 757 and 767 airliners, even as a sub-contractor, and ensures that it does not become involved in any programme that might compete with any other new jets Airbus Industrie might develop in future, such as the smaller 130-160 seater called the JET (Joint European Transport).

The financial arrangements behind the agreement remain obscure. It is believed that they will involve a UK commitment over the next few years of about £325m.

This will include a £25m "entry fee" to the consortium, outlays of about £50m on the

Continued on Back Page
Editorial comment and Jet race of the century, Page 18

New unemployment fall offsets summer rise

BY DAVID FREUD

ADULT UNEMPLOYMENT fell sharply for the second consecutive month, more than offsetting the rises in the two summer months. The number out of work is now 75,300 below the post-war peak of September 1977 and the lowest since May in the same year.

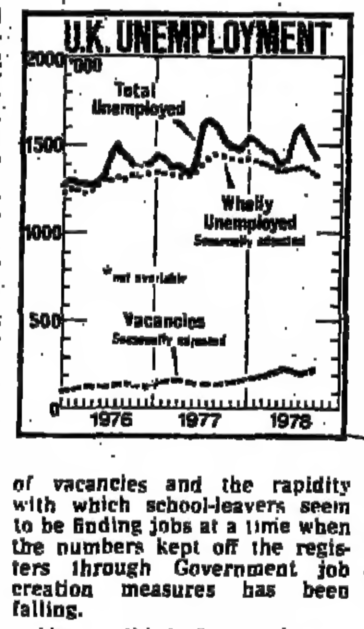
Department of Employment figures show that the number of adults without jobs in the UK fell by 18,700 to 1.36m in the month to mid-October, taking seasonal factors into account. The proportion of the workforce unemployed fell from 5.8 to 5.7 per cent.

All the signs indicate a steady fall in the underlying rate of unemployment. The decrease of 32,700 in the last two months is greater than the rise of 27,400 in July and August.

That strongly suggests that the summer rise was the result of inadequate seasonal adjustment rather than a change in trend after the consecutive falls in the previous nine months.

Optimism is reinforced by a further increase in the number of vacancies and the rapidity with which school-leavers seem to be finding jobs at a time when the numbers kept off the registers through Government job creation measures has been falling.

About a third of vacancies are notified to employment offices, providing a reliable guide to activity. Seasonally adjusted, the number of notified vacancies remaining unfilled in mid-October rose 9,700 to 228,400.



That was the highest level since November 1974 and the number of vacancies is now 72,400 higher than a year ago.

The number of school-leavers on the registers in October dropped markedly, after the record monthly 83,000 fall in September. In October the total fell by 57,000 to 82,000, a third of the peak figure for this year, recorded in July.

Thus only 11.9 per cent of the 687,000 estimated to have left school this Easter and summer are still on the registers, compared with nearly 15 per cent of a smaller total at the same time last year.

The fall in adult unemployment took place in spite of another drop in the numbers helped by Government job creation schemes. Those are

Continued on Back Page
Regional map, Page 9

Australia tightens mineral rules

BY OUR OWN CORRESPONDENT

CANBERRA, Oct. 24.

THE AUSTRALIAN government today introduced new controls on exports of raw and semi-processed minerals in the hope of achieving higher export revenues.

Exporters of coal, iron ore bauxite/alumina, in particular, will be required to obtain specific government approval before entering into new contracts.

The measures are intended to prevent Japanese companies, acting in concert, from beating down the price by concluding individual deals with vulnerable Australian producers in the present depressed state of demand.

The risk that the government is taking is that Japanese or European buyers who are accused of adopting a similar approach in negotiations will increasingly seek supplies elsewhere.

Australia is the largest exporter of iron ore and alumina in the world and the third largest exporter of coal and bauxite. Total export earnings from these commodities amounted to A$3bn (£1.75bn) in 1977-78—the equivalent of two thirds of mineral export earnings and 25 per cent of total exports.

The new measures reflect concern over the deteriorating balance of payments and the slow pace of private capital inflow. The government has been borrowing heavily overseas to increase foreign exchange reserves.

Mr. Douglas Anthony, the Deputy Prime Minister, said yesterday that exporters would need specific approval before making or responding to offers or entering into new commitments.

He announced that he would determine the parameters within which companies would be allowed to negotiate and that these could include price, tonnage, duration or any other aspect of a commodity contract.

The government's action runs counter to the non-interventionist philosophy of the ruling Liberal-Country Party coalition.

Mr. Anthony said he had been concerned at price settlements agreed to earlier in the year for iron ore sales to Japan. There was now "every reason to believe that unsatisfactory results could flow from forthcoming coal negotiations." Australia supplies about 50 per cent of Japan's coking coal.

Mr. Anthony said the new procedures for negotiating mineral export deals would apply to negotiations already in progress.

Details, Page 4

U.S. and Iran in arms talks

BY ANDREW WHITLEY

TEHRAN, Oct. 24.

A TOP level review of Iran's multi-billion arms build-up began today amid continued civil unrest, with a meeting between the Shah and two senior U.S. defence officials, Mr. Charles Duncan, the deputy Defence Secretary, and General Ernest Groves, the Pentagon's chief arms salesman.

The review, to identify Iran's overall defence needs and priorities in the light of political and economic changes in the past year, represents the first major check to the build-up of eight years.

The contents of Mr. Duncan's and General Groves' discussions with the Shah and senior generals, including General Hassan Toufanian, the head of arms procurement, have not been disclosed. They are thought to have concentrated on deferments and possible cancellations of orders from the U.S. to ease the immediate financial problems.

Iran bought arms worth $19bn (£9.5bn) from the U.S. over the past six years, $2.6bn (£1.3bn) worth in the past year.

Defence spending in the form of equipment orders, infrastructure and pay for Iran's 413,000-strong armed forces normally accounts for at least a third of total state spending. Ministers have publicly acknowledged that savings will have to be made this year, to compensate for the sharp pay increases being awarded and because of other financial shortfalls.

Among the orders likely to suffer are the second consignments of the Grumman F-14 Tomcat and General Dynamics' F-16 fighter aircraft, and the request for 31 F-4G Wild Weasel specialist aircraft. These cancellations would save $2.9bn.

Iran is thought more likely, initially at least, to delay final decisions and to defer payments due soon or to try to convert them into oil-swap deals.

The U.S. is Iran's main arms supplier, followed by Britain, West Germany, France and Italy. Orders from U.S. manufacturers in the past two years are estimated at $8.4bn. (£4.2bn).

● Violent disturbances have returned to many parts of Iran. The holy city of Qom was worst hit today. Unconfirmed reports say three people were killed, including a police officer.

Many parts of Mazanderan province, in the north, including the major city of Gorgan, have also been badly affected.

School students, probably backed and encouraged by young people linked with the religiously orientated guerrillas, the Mujaheddin, have been in the forefront of recent demonstrations and clashes.

In Tehran, an estimated 10,000 students of all ages today converged on the main campus of Tehran University.

FORD TALKS ON FRIDAY

Vauxhall men at Luton reject strike

BY PHILIP BASSETT AND NICK GARNETT

WORKERS AT Vauxhall's Luton car plant overwhelmingly rejected a strike call against a company offer within pay guidelines yesterday. Their decision strengthens the Government's chances of successfully maintaining its tough line on pay.

Prospects of a settlement also improved at Ford, which has been strike-bound for five weeks. Fresh talks on the pay dispute will be held on Friday, when the company is expected to make an offer of possibly more than double the Government's 5 per cent pay guideline.

Pay negotiations, too, between the unions and Vauxhall Motors will resume this week, probably tomorrow, after the vote at a meeting of about 10,000 hourly-paid workers at Luton, the company's biggest complex.

The vote, along with a similar one made last week by workers at Kodak, will encourage many companies to believe that they can settle close to the guidelines provided productivity payments are also offered.

The meeting followed a similar no-strike vote at Vauxhall's Dunstable truck plant. Workers at Ellesmere Port, Merseyside, have voted to support the strike from November 1, but that decision might be reviewed in the light of this week's negotiations.

Vauxhall's offer averages 4.5 per cent on basic pay, but that would be increased by self-financing productivity bonuses and a small attendance allowance.

The Luton mass meeting, held at 8 am in a field near the plant, was peaceful and good natured until Mr. Tim Bungard, a 24-year-old trim shop worker with eight months' experience at Vauxhall, attempted to read a speech supporting the continuation of negotiations and the use of secret ballots.

His speech was drowned by jeers from militants, including some stewards and Mr. Bungard said afterwards that he had been warned that he might come to harm if he went on to the rostrum. He was left dazed by the ordeal.

The company said that the mood of workers at Luton and Dunstable appeared to reflect traditional moderation and a belief that the company could not offer much more than it had unless productivity was increased.

Mr. Glyn Morgan, the Amalgamated Union of Engineering Workers' convenor, said that the vote had been a snub to shop stewards and union negotiators on the joint national council.

After the Vauxhall vote Sir Geoffrey Howse, the "shadow" Chancellor, and Mr. James Prior,

Mr. Tim Bungard, whose speech was shouted down

"shadow" Employment Secretary, said the attitude of the "no strike" leaders was exactly what was needed to restore "realistic and responsible collective bargaining."

At Ford, the company made clear in its latest negotiations with the trade union side that it was not prepared to reopen talks until its 57,000 manual workers went back to work. That condition has been eased.

The company is expected to preface its offer with a demand for a return to work, and for an agreement over production difficulties at all its plants. It has offered 8 per cent in a clear breach of Phase Four.

A breakthrough in the deadlock over the Ford strike came in talks on Monday between senior union negotiators and Mr. Paul Roots, the company's employee relations director.

Exploratory talks were held after a direct initiative from Mr. Reg Birch, secretary of the trade union side, to Sir Terence Beckett, chairman of the company.

The trade union side of the National Joint Negotiating Committee will meet today and is expected to ratify the resumption of talks.

TUC-Healey talks, Back Page
Labour News, Page 12

$ in New York

—	Oct. 24	Previous
Spot	$2.0100-0110	$2.0050-0070
1 month	0.35-0.27 dis	0.22-0.23 dis
3 months	1.08-1.00 dis	1.11-1.06 dis
12 months	4.80-4.50 dis	4.50-4.40 dis

CONTENTS OF TODAY'S ISSUE

FEATURES

For latest Share Index 'phone 01-246 8026

W. GERMANY'S INDUSTRIAL TROUBLES

Shipbuilders plan extensive job cuts

BY ADRIAN DICKS

BONN, Oct. 24.

THE WEST GERMAN economy, and the mood of a growing number of businessmen and officials, is in better shape this autumn than at any time in the past couple of years. One of the factors still muffling any tendency towards exaggerated excitement, however, is that in several important traditional industries the years of crisis are far from over. In the shipbuilding sector, perhaps the hardest-hit of all, there is a gloomy conviction that the worst may still be to come.

If any reminder were needed of the seriousness of the industry's current situation, it came on Monday. Most of the 50,000 manual workers in the shipbuilding sector joined in a one-hour token strike, while several thousand took part in a protest march and mass meeting in Hamburg.

The occasion for this impressive display of unanimity and union discipline was to protest against the publication by the shipbuilding industry's federation, the VDS, of a thorough analysis of the yards' medium term prospects in which the disappearance of about 8,000 jobs is assumed between now and 1980.

The unions are understandably worried by this aim, which the VDS describes as essential if the West German shipbuilding industry is to have any future at all. Yet their prescription for saving the shipyards is not basically different from that of the employers. Both are looking to the Government to provide the remedy, and both believe it must take the form of massive injections of cash.

In part, the West German shipbuilding industry's difficulties are those of their competitors elsewhere in Western Europe—the pressures of far too great a current world merchant fleet coupled with over-capacity among shipyards and the challenge of lower-cost shipbuilding nations.

These conditions have, however, been even more damaging to German yards than to others because of the remorseless upward climb of the Deutschemark against other currencies. Not only has a dearer D-mark forced the yards to choose between quoting uncompetitive prices or building ships at a loss. It has also badly eroded the profitability of West German shipowners who might wish (and are strongly encouraged) to come to their domestic industry's aid.

The German yards have had some success in building up their share of the specialised ship market, yet the industry has slipped to 16th place among world shipbuilding nations, with only 1m tonnes on its books out of some 61m tonnes world wide. On a man-hour basis, the VDS told the Government in its report last month, the industry will be one-third occupied in 1979.

In 1980, however, the federation's figures show it will have no work at all. The industry has warned that it can expect nothing less than "annihilation" unless the Federal Government and the four states where the shipyards are situated step in with money. The VDS has called for direct building subsidies of up to 20 per cent of purchase price for a two-year period up to mid-1980, after which time it says the rate should be progressively reduced.

In addition, the industry wants special measures to help German shipowners place orders with German yards, with the invocation of the European Community's "crisis clause" in order to allow shipowners to benefit from the currently very low interest rates available in West Germany.

Bonn seems to be in no hurry to respond. A few months ago, Herr Hans Matthoefer, the Finance Minister, tartly told a shipbuilding conference that "it does not help much merely to complain that our levels of subsidies are relatively low." Above all, he said, a subsidy competition among shipbuilding nations would be pointless and damaging. Besides, the industry had been given over DM3bn since 1962 in subsidies, cheap credits and the like, not counting indirect aids.

Since Herr Matthoefer's remarks, state subsidies to lame duck industries have become a popular butt in West Germany, as elsewhere, and Herr Otto Vom Steeg, the Hamburg boss of the engineering union IG-Metall, admitted that the industry would probably receive around DM500m worth in aid in 1979 under present policies.

None of this answers the central question for Bonn, however, which is simply whether it wants the industry to survive, and if so, what it is willing to pay for the pleasure. The Cabinet is expected to discuss the situation in mid-November.

Steel orders up slightly

BY GUY HAWTIN

FRANKFURT, Oct. 24.

ORDERS FOR the West German steel industry rose slightly last month, primarily as a result of a steep upturn in domestic bookings. This is the second consecutive month that the heavily depressed industry has reported improved figures.

The Federal Republic's Steel Industry Association said today that total orders for rolled steel finished products were up by 3.5 per cent compared with the previous month's performance. Although the growth rate is slower than August's 16.1 per cent increase at least the industry has not had to report a heavy drop in bookings.

Today's figures—which do not include those for semi-finished products, hot rolled broad strip and special steels—show that the inflow of orders in September amounted to 1.95m tonnes compared with August's 1.89m tonnes.

Domestic orders totalled 1.07m tonnes—8.3 per cent up on the previous month's 987,000 tonnes. Bookings from other European Community countries were also up steeply, by 10.3 per cent from 155,000 tonnes to 171,000 although the level of orders was still very low.

Orders from third countries, the largest of which is the U.S., declined by 4.8 per cent from 744,000 tonnes in August to 712,000 tonnes. However the August figure was unusually high, having risen by 62.8 per cent.

The industry delivery figures showed a very sharp 26.5 per cent rise in September from the previous month's 1.68m to 2.13m tonnes. This resulted in a 4.4 per cent decline in the industry's order book—from 3.89m tonnes to 3.72m tonnes.

Chancellor intervenes in row over NATO

By Our Own Correspondent

BONN, Oct. 24.

HERR HELMUT SCHMIDT, the West German Chancellor, intervened today to prevent what German officials describe as "escalation" in the simmering dispute between Herr Hans Apel, the Bonn Defence Minister, and the headquarters of the North Atlantic Treaty Organisation in Brussels.

The Chancellor today had a private discussion with Mr. Joseph Luns, the NATO Secretary-General, who had asked for the meeting. According to officially-inspired reports, Mr. Luns wanted to complain to Herr Schmidt of an attack on him by Herr Apel at last week's meeting of the NATO nuclear planning group.

The German Defence Minister is believed to have reproached the alliance for a weakness in political leadership that allowed too many decisions to be taken by the military. The exact text of Herr Apel's remarks at the highly restricted meeting has not been disclosed, but his clash with Mr. Luns is believed to have been as much on a personal as on a political level.

Mr. Luns, for his part, told a ceremonial meeting in Munster this evening that the will of European nations for discharging the duty of defending themselves was stronger than at any time in the past 15 years.

Herr Klaus Boelling, West German Government spokesman, said after today's meeting that "misunderstandings" had now been cleared up, and that most of Mr. Luns' time with the Chancellor was spent discussing the state of disarmament talks.

Giscard will try to calm Italian anxiety on EMS

BY PAUL BETTS

ROME, Oct. 24.

PRESIDENT Giscard d'Estaing of France is expected to try to appease the growing anxiety of Italian monetary officials and political leaders about the proposed European Monetary System (EMS) during his two-day visit here starting tomorrow.

Although the Italian Government gave its approval in principle to the setting up of the EMS back in July, there has been a marked hardening of Italian attitudes to monetary union during recent weeks.

France is now understood to be increasingly affaid of finding itself isolated in the envisaged monetary system as a result of the growing misgivings in Britain and Italy. Some Italian officials already are talking of a "breaking-in" period for the Italian currency of between six months and a year.

This would not only give Italy more time to enforce its medium-term recovery programme to bring the economy more in line with the stronger community countries, but also would enable it to stand cautiously back at the early stages of the European monetary union.

At the same time the Italian government is currently wrestling with the trade union movement over labour costs, which is a key aspect of the three-year recovery plan drawn up by Sig. Filippo Maria Pandolfi, the Treasury Minister. At this early stage, the unions appear to be adopting an intransigent approach to government calls for moderation in new wage claims.

The two main left wing parties—the Communists and the Socialists who between them represent 44.8 per cent of the electorate—have openly stated that unless Italy's requirements in the current monetary negotiations are broadly satisfied and the system is sufficiently different from the present snake, the EMS might represent too many risks for the country.

Sig. Paolo Baffi, Governor of the Bank of Italy, alluding to West German pressures for the creation of a rigid monetary system similar to the present snake, said this was "in no way compatible" with the differentials in inflation and interest rates which persisted within the community.

At the annual congress of Italian foreign exchange dealers in Ischia recently, Sig. Baffi referred to the three preconditions of the new system (exchange rates, an adequate reserve fund to protect currencies from eventual speculative pressures, and transfer of resources to weaker economies) saying it was unthinkable to barter an untenable agreement on exchange rates with broad credit facilities.

The Italian authorities are pressing for a system of automatic support intervention to help weaker currencies inside the envisaged new snake against the apparent West German suggestion that trigger points in the system should initiate only consultations and not automatic interventions.

After his talks with President Giscard, who is also expected to be received by the Pope, the Italian Premier, Sig. Giulio Andreotti, is planning to meet the West German Chancellor, Herr Helmut Schmidt, in Siena next week.

Sig. Andreotti has also accepted an invitation to see Mr. James Callaghan in London on November 22. Coming so soon before the European Council on December 4, the Anglo-Italian talks are likely to focus on the EMS.

On the basis of the reports of the recent EEC Finance Council in Luxembourg, British and Italian positions now appear to be close on the issue. Both are pressing for adequate support measures to reduce divergencies between the weaker community economies and the stronger ones.

● France and Denmark are broadly in agreement on the principles for the formation of EMS, which they thought should take place as soon as possible, said the French Economics ministry today reports Reuter from Paris.

Emminger calls for caution

BY OUR OWN CORRESPONDENT

BONN, Oct. 24.

DR. OTMAR EMMINGER, president of the Bundesbank, today sugegsted bringing new members into the proposed European Monetary System "cautiously and step by step," rather than risk making the system unstable from the start.

He told a business audience in Baden-Baden that it might be preferable to avoid simultaneus entry by all until each country could guarantee that it could bring its inflation rate sufficiently close to that of the countries now linked through the European currency snake to make more stable parities credible.

Dr. Emminger praised the "will for stability" of Britain, France and Italy alike, but said that it was an open question whether any of them could successfully maintain present policies. Nothing, however, could do the cause of progressive monetary integration more damage than a failure of the present attempt after a year or two.

West Germany will supply Saudi Arabia with technology for nuclear energy projects and the exploitation of raw materials, the Ministry of Research and Technology has announced, Reuter reports from Bonn.

The key point, said the German central bank president, was that participating countries should follow policies that made exchange rates between them credible. "Reckless" creation of credit facilities would damage this aim.

Dr. Emminger came down firmly against an intervention mechanism in the EMS that would force the Bundesbank to a[illegible] huge volumes of other currencies that would endanger West German monetary stability. He said West Germany sought not an automatic intervention trigger, but a system of thresholds that would oblige member countries to consult.

Meanwhile, he reminded the Finance Minister, Herr Hans Mattoefer, of his public undertaking that no intervention system would be adopted that caused the Bundesbank to "lose control of the domestic money supply" through obligatory intervention.

Foreign exchange market operations had cost the Bundesbank DM 13bn (£3.6bn) since the end of June. The Bundesbank president said that even if parity adjustments took place "discreetly and in timely fashion," the entry of Britain, France and Italy could be expected to entail far bigger sums than the present snake.

Assessing the three countries' combined reserves at about $100bn (and assuming a price for official gold holdings of $180 an ounce), Dr. Emminger said that speculative movements amounting to a quarter or one-third of this sum were conceivable and would bring the EMS to a critical situation.

Basque deaths condemned

By Our Own Correspondent

MADRID, Oct. 24.

THE KILLING of two civil guards on Sunday by the Basque nationalist guerrilla organisation ETA has been widely condemned by Basque parties ranging from the Centre to the far Left.

The Spanish Communist Party (PCE) last night led a 300-strong protest at the scene of the attack near Bilbao. And Sr. Carlos Garaicoetxea, President of the mainstream Basque Nationalist Party (PNV), told a meeting of 10,000 PNV members that the Basque country was "beginning to smell of Ulster," while investment was being frightened away.

Spanish seamen extend arms supply ban

BY DAVID GARDNER

MADRID, Oct. 24.

THE WEEKEND DECISION by Spanish merchant seamen to black all arms shipments leaving the ports of Valencia and Bilbao on consignment to the Latin American dictatorships, Southern Africa and Morocco, has been extended to the Atlantic ports of Las Palmas and Cadiz, through which cargo for Southern Africa would normally pass.

The weekend move had been endorsed by the Sindicato Libre de la Marina Mercante (SLMM), the union which groups around 85 per cent of Spain's merchant seamen, and will almost certainly be ratified as official union policy when the SLMM executive meets early next month.

The boycott decision follows a spate of revelations about Spain's growing role in the international arms trade, and opposition calls for increased parliamentary control. The boycott was due to come into effect in Bilbao and Valencia yesterday which was also when the Argentinian ship Rio Calchaqui, with a 1,176 ton cargo of grenades, mines and bazookas aboard was due to sail from Bilbao. However, it was reported last night that the vessel left on Sunday en route for Buenos Aires.

According to the decision adopted by the port branches of the SLMM the boycott will be aimed at all ships registered in Spain, all ships carrying a Spanish crew and all arms moved by sea between Spanish ports when there is reason to believe that they contain arms shipments for the blacked countries. In addition to the known consignments, which have left Spain during the past two weeks for Argentina and Chile, the union believes that two ships, one Spanish and the other Peruvian, which left Valencia for Argentina last week, were also carrying arms.

Sweden may buy from R-R

By William Dullforce

STOCKHOLM, Oct. 24.

GOVERNMENT doubts about the cost of developing a new light attack aircraft for the Swedish Air Force can open the way for the sale of Rolls-Royce engines to Sweden. Saab-Scania, the aircraft manufacturer, confirmed today that in recent talks with the government it has proposed a cheaper alternative, which would be equipped with Rolls-Royce Spey engines instead of the American engines scheduled for the original project.

Oslo seeks greater share of UK offshore oil work

BY KEVIN DONE, ENERGY CORRESPONDENT

THE NORWEGIAN Government is seeking a greater share of orders for its offshore supplies industry in the development of certain UK oil fields. It is also anxious to achieve greater co-operation between UK and Norwegian companies in bidding for work in other offshore markets overseas.

Speaking in London, Mr. Trygve Tamburstuen, the Norwegian Under-Secretary for Oil and Energy, drew particular attention to the development programme for the Murchison Field, which straddles the UK and Norwegian sectors.

About 17 per cent of the field, which is being developed by Conoco, was in the Norwegian sector, he said, but Norwegian companies had only secured about 0.2 per cent of the orders for equipment and services. UK suppliers had been awarded about 15 per cent of the work for the A platform in the Statfjord Field, which lies chiefly in Norwegian waters.

Norwegian exports of offshore supplies, equipment and services have fallen sharply from about NKr 3.5bn in 1975 to less than NKr 1bn this year.

The question of greater co-operation between the UK and Norwegian supply industries was raised briefly yesterday at a meeting between Mr. Tamburstuen and Dr. Dickson Mabon, the UK Minister of State for Energy.

Referring to the costly Statfjord development, Mr. Tamburstuen said the field would still prove to be profitable with a rate of return of about 20 per cent.

The first allocation of blocks under the fourth round of licensing will be made in December. Statoil, the Norwegian state oil company, will be given a major share in each licence, varying from 50 to 75 per cent.

Soviet output rises 4.8%

BY DAVID SATTER

MOSCOW, Oct. 24.

SOVIET INDUSTRIAL production rose 4.8 per cent during the first nine months of 1978, an improvement over the modest Plan target, which was 4.5 per cent, but well below last year's pace when industrial output increased 5.7 per cent.

The nine months' figures also show a marked tailing off in the growth of production during the course of the year. Industrial output grew 5.5 per cent for the first quarter and 5.2 per cent for the first six months.

The figures, released by the Soviet Central Statistical Board, showed a 3.5 per cent increase in the productivity of labour during the first nine months of 1978, accounting for three-quarters of the increase in production.

The statistical Board reported that plan targets for most types of goods were exceeded but overall production figures suggest the Soviet economy, which last year showed the lowest annual increase in national income since at least 1951, is not recovering sufficiently to meet its targets for the 1976-80 Five-Year Plan.

There was encouragement for Soviet planers in oil and gas production, which both increased at last year's pace during the first nine months after lagging earlier in the year.

Oil production, including gas condensate, totalled 424m tonnes or 5 per cent more than for the equivalent period last year, whereas gas production came to 273bn cubic metres or 8 per cent more than for the first three-quarters of 1977. These rates of increase were the same as those registered in 1977 over 1976.

Coal production, however, amounted to 540m tonnes for the first nine months of 1978, which was a 0.1 per cent decline in absolute terms from the volume of coal produced during the first three-quarters of 1977.

Turkey opposition chief re-elected

BY METIN MUNIR

ANKARA, Oct. 24.

MR. SULEYMAN DEMIREL has been re-elected chairman of the main opposition Justice Party (JP)—for the eighth time.

The 54-year-old politician has led the pro-private enterprise JP for 12 years. The JP Congress, which ended here in the small hours of this morning, elected him for a new two-year term with 1,439 votes. Senator Kamran Inan, his only opponent, received 88 votes.

Mr. Demirel entered politics in the early sixties after successful careers in the civil service and the contracting business. In 1964 he was elected JP chairman and a year later led his Party to the first of two successive victories at the polls.

In 1971, the army forced him to resign from office as Prime Minister. Mr. Demirel survived two major splits of his party, two successive electoral defeats and persistent allegations of nepotism. He was Prime Minister at the head of a coalition on and off for nearly three years until the beginning of this year

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription $205.00 (air freight) $365.00 (air mail) per annum. Second class postage paid at New York, N.Y.

EUROPEAN NEWS

RUSSIAN DEFENCE BUDGET

Hidden figures baffle Western experts

BY ROGER BOYES

AS THE U.S. and USSR draw closer to a strategic arms accord and East-West troop reduction talks approach their sixth year, one central issue still puzzles Western analysts: How much does Russia spend on defence?

Every year the Soviet budget includes an allocation to the Ministry of Defence but no breakdown or detail is ever given. Soviet economic textbooks indicate that the figure includes military pay and subsistence, operations and maintenance, and military construction. Excluded are military research and development — usually subsumed in the "science" allocation—and the pay for KGB border guards and security police.

But there are several mysterious grey areas which can dramatically affect Western estimates. Is foreign military aid, for instance, accounted for in the defence category? Military health facilities, pensions and education could well be hidden in the "social-cultural" allocation of the budget. And according to some Western economists, the procurement of major weapons is not credited at all in the official defence budget allocation. Actual Soviet defence spending, in fact, is estimated to be several times higher than the official figure.

In 1976, the Central Intelligence Agency announced that its estimate of the burden of defence spending on the Soviet economy was about 100 per cent wrong. According to earlier CIA estimates, the Soviet Politburo looking at its defence expenditure data in 1970 would have seen a total figure equivalent to 6-8 per cent of the country's GNP in current established rouble prices. The CIA now believes that the figure should have been 12-13 per cent. Between 1970 and 1975, according to the revised view, spending increased by 4-5 per cent and not 3 per cent as previously estimated.

It had been clear for some time that there was something wrong with the CIA estimates. On the one hand the Agency was reporting a relentless Soviet military build-up, while the other was calculating that defence had a declining share of the Soviet GNP.

Soviet defence spending is of interest for a number of reasons. In the first place, by gauging the rouble value of defence spending as a proportion of real growth, it is possible to calculate the burden which defence places on the Soviet economy. This, in turn, gives analysts some idea of the economic sacrifices which Soviet planners are having to make to sustain high defence expenditure.

In addition, defence expenditure measured in constant prices, either in roubles or dollars, also provides a useful indicator of real growth in the Soviet defence establishment and thus is a guide to the size of Western military budgets. Dr. William Lee, a former CIA economist, claims that the agency estimates are a functional guide for U.S. politicians and generals in assessing "Soviet objectives, national priorities and the Soviet leaders' appreciation of the political utility of military power."

It is all the more remarkable then that the Agency should have made such errors in calculating the cost of the Soviet defence effort. The revisions were promped not so much by the discovery of an overt blunder—the omission, say, of a dozen previously unobserved inter-continental missiles—as a realisation that its data base was flawed and unrealistic.

Western intelligence agencies and academic analysts have traditionally used two methods to estimate the secret defence expenditure. These are: the budgetary method which relies on the limited amounts of published material on the Soviet budget and which explicitly excludes most of the costs of weapon procurement; and the so-called hardware approach which estimates weapon production (and excludes personnel costs), using published industrial statistics for the machine-building and metal-working industries.

The CIA approach combines elements of the budgetary and hardware methods but leans most heavily on intelligence assessment of the size of Soviet armed forces. The CIA "building block" plan tries to secure a broader view encompassing the whole of the Soviet national security expenditure (seen as the equivalent of the U.S. Department of Defence budget plus NASA expenditure as well as nuclear weapon development and procurement) and attempts to avoid a dependence on Soviet statistics.

The CIA hybrid has three strains. The most reliable aspect is the estimation of detailed manpower and maintenance costs. Some Soviet prices are known—the price of petrol, for instance—and, through intelligence work general quantities are also known (the number of vehicles to be maintained, the number of troops to be paid). By multiplying the known prices by the relevant quantities, the costs of most operations can be calculated. But some manpower expenditure can only be guessed at—the salaries of civilian Defence Ministry officials are generally unknown to Western experts—and so error can clearly infiltrate the calculations

Less reliable are the Western estimates of Soviet military research, design and testing, most of which is tucked away in the "science" allocation. These estimates involve the budgetary method: they investigate the so-called "residuals" of each budget allocation. Residuals are the portion of the budgetary allocation which is left unaccounted for. Thus the "science" allocation will detail various uses of the available money—medical research, fore example—but will leave a substantial slice unexplained. It is not clear how much of this will be devoted to defence and space research, so the CIA has to study U.S. research expenditure for an equivalent weapons system, convert the cost into roubles, and then breakdown the unexplained residual accordingly.

This is a difficult process and liable to error, especially as analysts cannot even agree on the approximate percentage of military research which is contained in the science category of the budget. The Rand corporation has calculated that 50-60 per cent of military research is in "science" while the CIA has been assuming that the figure is closer to 80 per cent. Both teams of analysts admit that their figures are arbitrary.

The most vulnerable of all estimates is the weapon procurement estimate. This uses intelligence—mainly gleaned from satellites—on the standing strength of the armed services to derive annual additions to the stock of Soviet missiles, ships and so on. These, together with information on Soviet weapons specifications, are used to derive estimates of what it would cost, in current dollars, to obtain the same items from U.S. defence contractors. These dollar figures are then converted into 1955 roubles (using specialised Rand studies on conversion rates for civilian machinery comparable to military hardware) and are finally turned into current roubles.

Dr. Lee, in a review of CIA costing methods, points out that the 1955 rouble base—though methodologically well-tried — is no longer realistic. The rouble-dollar ratio has been affected since 1955 by differential inflation rates in the two countries, and by the introduction of new products. Yet the current official Soviet exchange rate is also unsuitable for conversions.

In the first place, the Soviet exchange rate is set arbitrarily by the Russian authorities and second, as Mr. Paul Cockle, (formerly of the International Institute of Strategic Stdues) recently pointed out, exchange rates are inadequate measures of the relationship between the internal purchasing power of the two currencies since many goods are not traded.

The CIA appears to have been confounded by the dilemma of rouble-dollar conversion and this underlines the massive revision of its estimates. "About 90 per cent of the increase" it admitted in 1976, "results from changes in our understanding of rouble prices and costs."

Vance ends Moscow talks

Mr. Cyrus Vance the U.S. Secretary of State says goodbye to Mr. Andrei Gromyko the Soviet Foreign Minister before leaving Moscow after four sessions of Strategic Arms Limitation (SALT) negotiations which failed to reach final agreement on a new treaty.

But in a statement at the airport Mr. Vance said both countries were committed to "the prompt and successful completion" of a new SALT-2 accord.

Standing alongside Mr. Gromyko on the airport tarmac, the Secretary of State said that the two days of discussions he had had in Moscow were "useful and constructive."

There was no indication from the U.S. delegation of the next step but it was believed there could be another foreign ministers' meeting next month, perhaps in Geneva.

In his airport statement Mr. Vance said he wanted to thank Mr. Gromyko and President Leonid Brezhnev—whom he met for 90 minutes "for the seriousness and directness of our conversation.

Agencies

AMERICAN NEWS

Long Beach vote may end the Alaskan oil impasse

BY DAVID LASCELLES, RECENTLY IN CALIFORNIA

THE FINAL logjam blocking the oil companies' efforts to extract and distribute Alaskan oil (which is now pouring out at the rate of over 1m barrels a day) could shortly be broken, provided a handful of residents in the Californian port of Long Beach vote the right way in a referendum coinciding with the Congressional elections on November 7. They are being asked whether they want Standard Oil of Ohio (Sohio), which owns half of Alaskan oil, to build an oil terminal there linking up with a pipeline across the U.S. to Texas. (British Petroleum recently became a 51 per cent shareholder in Sohio under a formula based on the flow of Alaskan oil.)

If Long Beach says "yes," it would bring in sight an end to the oil companies' ten-year struggle to exploit the North Slope Bonanza. If they say "no," Sohio and the other oil companies will be stuck—as they are now—with transporting the oil to the energy-short East via the Panama Canal at an additional cost of $1 per barrel.

This extraordinary situation grew from the turmoil the U.S. oil market was thrown into by the Arab embargo of 1973. Before that date, it was assumed that the West Coast would be able to absorb the entire Alaskan output. But a successful conservation effort has pared back the growth of demand to the point where California and the other Pacific states need only about two-thirds of this oil. The surplus, though welcome in the overall U.S. energy context, became a local embarrassment. Since oil companies are forbidden by law to export oil, and since there was no readily available pipeline to ship it across to the East Coast, that oil which is not going via Panama is accumulating on the West Coast and creating a massive glut.

After prolonged study, Sohio determined that the only feasible solution was to build a tanker terminal at Long Beach, which lies adjacent to Los Angeles, and to connect it up with a disused natural gas pipeline running from California to the New Mexico-Texas border. The pipeline was originally built to bring Texas gas to the West Coast. It has fallen into disuse with the decline of Texan gas production.

The attraction of the scheme is that only about 200 extra miles of pipeline need be built to create a 1,000-mile link between West and East. The modifications necessary to the existing pipeline are small.

Sohio's plans call for the construction of three new oil transshipment berths close to the entrance to Long Beach harbour, able to take 80,000-165,000-dwt tankers, and an onshore oil storage area from which the pipeline would head inland, through the town of Long Beach. Sohio expects three to four tankers a week, bringing an average of 500,000 barrels of oil a day. The company says the tankers will burn low-sulphur fuel within a 180-mile radius of the harbour, and it claims the terminal's average emission will be no more than that of a "busy" roadside petrol station.

Sohio's proposal, made in 1976, quickly ran foul of the Californian environmental lobby which was emerging as a powerful political factor. Sohio also found itself confronting no fewer than three official environmental agencies (one local, one State and one federal), an alliance which was to prove both formidable and tricky to deal with since its members are frequently at odds with each other.

In trying to reinforce the case for Long Beach, Sohio emphasised that there were no alternatives along the whole U.S. Pacific coast. This argument backfired. Instead of highlighting the need for a quick go-ahead if Alaskan oil was to be shipped economically, it only showed how badly Sohio wanted the terminal. In no time, negotiations became a matter of how big a price Sohio was prepared to pay.

Under California's toughened anti-pollution laws, new industrial projects have to perform what is called an environmental trade-off before they can get a licence. The sponsors must clean up an existing plant (in addition to installing their own pollution control equipment) so that ts arrival leaves the air cleaner than before.

Sohio offered to clean up 13 local laundries which were emitting chemicals from dry cleaning operations. This was estimated to cost about $4m on top of the $163m for the terminal itself. But the clean air agencies calculated that this would not offset the total pollution impact of Sohio's project.

Apart from pollution created by the terminal itself, they assumed that there would always be two tankers at berth (though Sohio says there will be a maximum of four a week and that half the time the berths will be empty), and they included a proportion of the emissions from the utilities supplying power

In the upshot the agencies told Sohio it could have its terminal only if it agreed to clean up the Southern California Edison Power plant in Long Beach, the area's largest single polluter, at a cost of $78m. After much wrangling, Sohio agreed even though, by its calculations, it was being asked to remove nearly 9lb of pollutants from the atmosphere for every pound it emitted itself.

Many of the technicalities of this deal have yet to be ironed out, including precisely what technology is to be used at the Edison plant. But the broad outline of the trade-off is what Long Beach voters are being asked to consider next month.

Sohio has hired a public relations firm and is spending hundreds of thousands of dollars to woo the voters. But it is dealing with a wiry, if financially less-well-endowed, opposition aided by powerful local figures who see in the dispute a chance to enhance their political reputations. Opinion polls show just over half the population in favour of the project and about one-third against. With so large a chunk uncommitted, the fate of this project could well be decided by a handful of voters.

Even if the voters say "Yes," the South Coast Air Quality Management District will still have to give approval, and even it could be over-ruled by the Air Resources Board in Sacramento, the state capital.

More American news on Page 4

AMERICAN NEWS

Chase lifts prime rate to 10¼%

The latest increase in U.S. commercial bank prime rates began to spread yesterday when Chase Manhattan Bank, the country's third largest bank raised its prime from 10 per cent to 10¼ per cent effective today, bringing Chase into line with Chemical Bank which announced a prime rate increase on Monday, writes Stewart Fleming in New York.

The trend towards higher funds costs for commercial banks was underlined yesterday when Citicorp at its regular weekly sale of 91-day commercial paper set an average rate of 9.631 per cent on bids accepted, against 9.397 per cent last week.

Los Angeles fires

Southern California's worst brush fires in 17 years were burning out of control yesterday after gutting at least 100 homes in and around west Los Angeles, Reuter reports. One person was seriously injured, a number of others were slightly hurt and two people died in car accidents indirectly related to the fires. Fire officials describe property damage as "well into the millions."

Reporter freed

An Argentine-born doctor was acquitted of murder yesterday and a New York Times reporter, who made the case a test of Press freedom by refusing to surrender his notes, was released from jail, Reuter reports from New Jersey. Dr. Mario Jascalevich, accused of murdering three patients after an investigation by reporter Mr. Myron Farber, was found not guilty by a New Jersey jury. The trial became a test case on the rights of American newspapers to shield sources who give them information in confidence. Mr. Farber refused to obey a court order to surrender his notes on his investigation and spent 39 days in jail on contempt charges.

Husky Oil spending

Husky Oil, controlled by Alberta Gas Trunk Line, has disclosed plans for heavy oil production in Alberta and Saskatchewan, which involves spending C$450m (£189m) for development over five years, including enhanced recovery. Husky production in the Lloydminster area of Saskatchewan would be doubled from 20,000 barrels of oil daily to 40,000 barrels, writes Robert Gibbens in Montreal. Husky plans to join the Pacific Petroleum's consortium which plans a C$800m heavy oil upgrading plant near Hardisty, Alberta and has turned down an invitation to join a Petro-Canada-led consortium.

U.S. COMPANY NEWS

Strong third quarter at Xerox; Lockheed profits decline; Allegheny Ludlum drops proposed sale to Bayer—Page 34.

Airlines queue up for unused routes

BY JOHN WYLES

NEW YORK, Oct. 24.

WHEN President Carter signs the air transport deregulation act late today there will be no more enthusiastic reaction than that from more than 20 airline executives who have been manning a 24-hour queue since last Thursday outside the Civil Aeronautics Board (CAB) offices in Washington.

The signing ceremony means that the CAB can open its doors tomorrow morning to the weary waiters whose experience has been compared to the vigil mounted by trans-atlantic travellers seeking cut price air tickets during the summer. But the airlines have been seeking a different prize: passage of the Bill means that the CAB must authorise operations on so-called "dormant routes" on a first come first served basis.

These routes are either not being served by any airline at the moment or they are routes for which an airline has authority which it is not exercising. None of the airlines in the queue will reveal publicly which routes they are after but the pick of the crop are thought to be those such as Dallas to Los Angeles, Denver to Los Angeles, Atlanta to Washington, and Boston to New York.

Under the new law the CAB must grant operating authority within 15 days for those routes currently not served by any carrier and within 60 days for those routes which do have some services but on which one or more carriers are not exercising their entitlement.

But an airline with dormant authority can protect its interests by giving notification that it will start up a service within a certain time and a number of airlines represented in the CAB queue are also there for that purpose.

Passage of the legislation is probably the most significant event in airline history for more than 40 years because it gives legislative force to a process of de-regulation which has been gathering pace for the past 18 months. The Act gradually eliminates CAB jurisdiction over airlines' rates, routes and mergers by 1985. But airlines will be completely free to launch new services by 1981 and immediately will have some freedom to raise or lower fares.

Canadian shipping strike ends

BY VICTOR MACKIE

OTTAWA, Oct. 24.

THE CANADIAN Parliament rushed emergency back-to-work legislation through all its stages late yesterday to send the striking marine engineers of the Canadian inland fleet back to work on their ships, so ending the standstill of the Great Lakes and St. Lawrence seaway vessels.

Mr. Otto Lang, Transport Minister, who is also responsible for the Canadian Wheat Board, moved quickly when negotiations reached an impasse on Monday afternoon.

He announced that the Government was introducing legislation and last night it passed all stages in the Commons and the Senate, ordering the seamen and ship owners to keep the 122 lake vessels operating until winter closes the St. Lawrence seaway on about December 15.

The seamen and ship owners said they would obey the law, unlike the Canadian internal postal workers, who are defying back-to-work legislation passed last week by Parliament.

Canadian Government lawyers started taking the Canadian Union of Postal Workers (CUPW) to court today but the 23,000 strikers are still far from a return to work.

Pickets were still circling post office buildings in most of the major cities across Canada and nearly all CUPW members continued to defy the back-to-work law. The Federal Government appears to be facing a long legal and procedural struggle to stop the picketing.

Applications yesterday for temporary injunctions were merely first steps aimed eventually at removing the picket lines which have appeared in Montreal, Halifax, Toronto, Ottawa, Winnipeg, Calgary and Vancouver.

Federal Court of Canada to declare the back-to-work law invalid on the grounds that it violates an amendment to the Public Service Staff Relations Act, which gives postal workers the right to strike.

Mexican tourism hit

BY WILLIAM CHISLETT

MEXICO CITY, Oct. 23.

THE MEXICAN economy and in particular the tourist industry, is being severely affected by a strike by air traffic controllers which is now in its third week. Domestic flights around the country are running at about 50 per cent the normal rate.

The dispute which has already cost the tourist industry several hundred million dollars, centres on the Government's decision to close down a private company, Radio Aeronautica Mexicana (RAMSA), because of its heavy losses and replace it with a new department under the Ministry of Transport and Communications. As a result of RAMSA workers being incorporated into a Ministry they found they would no longer be allowed to strike and so they decided to protest.

Both sides appear to be quite adamant that they will not back down despite the heavy losses to tourism, an important part of the Mexican economy. Net income from tourism last year was $536m.

Hotel bookings in key resorts like Acapulco are down by over 50 per cent for this time of year.

The situation could be further aggravated by a possible strike by hotel workers later this month. Hotels are beginning to shed labour as a result of the reduced demand for accommodation.

Westinghouse court plea turned down

BY DAVID LASCELLES

NEW YORK, Oct. 24.

WESTINGHOUSE, the large power engineering concern which has been charged with making false statements allegedly in order to conceal foreign bribery, today failed to win a federal district court judge's acceptance of a plea bargain which would have concealed the name of the person who received the pay-offs.

Yesterday, the Justice Department, which is making the accusations, reached a plea agreement with Westinghouse under which the company was to plead guilty to 30 counts of making false statements and pay a $300,000 fine ($10,000 for each one). The Justice Department accepted this deal because, as it told the court, it would not be in the Government's interest to reveal who benefitted.

However, Judge Barrington Parker, who questioned whether this "blotting out of information was necessary," today refused to accept the plea agreement. "The only difference between this case and any other criminal case that comes before the court is that here we have a large corporation." He told Westinghouse "I will leave you to other alternatives."

The charges against Westinghouse involve an unidentified deal which the company will only describe as "a non-nuclear project in a foreign country." It said the payments involved, total $322,000.

Jury dismissed in trial of ITT executive

By Our Own Correspondent

NEW YORK, Oct. 24.

A FEDERAL District Court judge in Washington today dismissed the jury which was due to hear the perjury trial of an International Telephone and Telegraph Corporation executive, accused of lying about the company's role in the 1970 election of the late President Salvador Allende of Chile.

Although no clarification could be obtained, dismissal of the jury selected yesterday raised speculation that the Government may be considering dropping the case because of the possible disclosure of information judged sensitive for national security.

Mr. Robert Berrellez, the ITT executive, is accused of perjuring himself in denying that ITT had sought to block the election of Sr. Allende. He issued the denial before a Senate subcommittee in 1973 and documents filed with the court allege that there was collusion between ITT and CIA officials to block the congressional investigation.

IMF staff may strike

By Jurek Martin

WASHINGTON, Oct. 24.

THE STAFF of the International Monetary Fund may stage a two day strike next week as a result of the failure of the IMF board to satisfy salary demands.

A mass meeting of the staff is due to be held later today on the salary issue. Yesterday, the board, after much confused and protracted procedural wrangling, agreed to an American proposal providing the staff with an additional 2.5 per cent increase to supplement the 3.5 per cent awarded in the spring.

The staff had been expecting to receive at least an additional 3.5 per cent.

OVERSEAS NEWS

Namibia nationalists ignore poll deadline

By Quentin Peel

JOHANNESBURG, Oct. 24.

WITH ONE day to go before registration closes for political parties to take part in the South African-sponsored elections in Namibia (South-West Africa), five parties have registered, but neither of the main African nationalist groups have done so.

Only two of the five intending to contest the December poll, are credited with any real political significance: the ethnically-based Democratic Turnhalle Alliance (DTA), representing most of the traditional tribal leaders, and the Action Front for the Preservation of Turnhalle Principles (Aktur) whose main element is the former ruling National Party.

Of the others, the Herstigte Nasionale Party represents the extreme right wing of the white population in the territory, while the Christian Democratic Party and the Rehoboth Liberation Front are tiny splinter groups.

There is no chance that the South-West Africa People's Organisation (SWAPO) will contest elections without UN supervision and control, and observers in Windhoek are confident that neither the middle-of-the-road Namibia National Front, nor the dissident SWAPO Democrats will do so, in spite of persistent wooing by the South African authorities.

Our UN Correspondent writes: SWAPO today informed the UN Secretary-General, Dr. Kurt Waldheim, that it rejects the compromise on Namibia worked out in Pretoria last week between the five Western members of the Security Council and South Africa.

SWAPO's UN representative, Mr. Theo Ben Gurirab, told correspondents after a 45-minute meeting with Dr. Waldheim that the issue now should go back to the Security Council with a demand for comprehensive, mandatory sanctions against South Africa.

● AP adds from Salisbury: The Rhodesian Military Command reported yesterday 18 new deaths inside the country since Government forces attacked black nationalist guerrilla camps in neighbouring Mozambique and Zambia last week. Among the latest victims were two black security force men, two insurgents and a "terrorist collaborator," a communique said.

Australian move on exports triggered by Japanese buying

BY BRYAN FRITH IN SYDNEY AND DAVID HOUSEGO IN LONDON

THE tough measures announced by the Australian government to control the export of minerals have been taken in the hope of preventing Australian producers from accepting what the government considers are prices below the prevailing world level.

In particular the controls imposed on coal, iron ore and bauxite/alumina are aimed at strengthening the hands of Australian producers in negotiations in which Japanese (and to a lesser extent European) buyers have co-ordinated their position and are playing off one produced company against another.

Two-thirds of Australia's mineral exports—and 25 per cent of total export earnings—derive from coal, iron ore and alumina. In 1977-78 these three commodities earned A$1.465bn (£856m), A$921m (£538m) and A$668m (£390m) respectively. Though the controls are aimed at boosting export revenue they may backfire as buyers look for supplies elsewhere in the present depressed market conditions.

Australia accounted for 11 per cent of iron ore production in the world between 1974-76 with an annual output of 98.6m tonnes. It faces strong competition as an exporter from Brazil (8.2 per cent of world output) and India (4.4 per cent).

Though the third largest coal exporter in the world after the U.S. and Poland it accounted for only 31m tonnes or 16 per cent of world trade in 1976. This proportion is increasing.

Australia is the largest exporter of bauxite/alumina in the world, accounting for 27 per cent of world production or 20.8m tonnes a year between 1974-76.

Under the new policy, which applies immediately, producers wanting to negotiate under new or existing contracts will have to first obtain specific government approval before making any offers or commitments. The minister for trade and resources Mr. Douglas Anthony said he would decide the parameters of the negotiations, such as pricing provisions, tonnages and contract duration, yet he maintained the government still had a firm policy of leaving negotiations to the commercial parties involved.

The Australian move is certain to be strongly opposed by overseas buyers, particularly Japan. Local producers are worried that the Japanese may switch much to their requirements to alternate supply sources, such as iron ore from Brazil. The stakes are high: Australia supplies about 50 per cent of Japan's iron ore imports and almost 40 per cent of its coal.

The present conflict has been looming for some time. The Japanese have been signalling since early last year that the depressed state of the world steel industry made it inevitable there would be cuts both in the tonnages of coal and iron ore taken by the mills, and in the effective price paid.

Earlier this year the Brazilians negotiated new prices on iron ore contracts which meant some reduction on existing prices. In June two Australian iron ore producers, Robe River and Mt. Newman agreed to lower prices for a two year period.

In August Mr. Anthony told Parliament he was unhappy about the prices which he said were not "fair and reasonable." The Japanese government had been informed of this belief and Canberra had considered refusing export approval but had reluctantly agreed to the deal because negotiations might otherwise have have dragged on indefinitely and there was some concern the Japanese mills could switch to supplies from Brazil.

In September matters started to come to a head when representatives of the producers were summoned to Canberra by Mr. Anthony and told to come up with a proper co-ordinated market arrangement within one month or face the prospect of the government establishing a centralised marketing system.

Only last week it was leaked in Japan that the Australian government was considering refusing an export licence for the second year of a four year contract to supply coal from the Thiess Dampier-Mitsui mine at Moura in Queensland. Because of the doubt representatives of Australia's largest coal exporter, Utah development called off negotiations for the sale of about three million tonnes from its Blackwater mine in Queensland.

The government's intervention appears largely motivated by concern over the deteriorating balance of payments situation reflecting a setback in the terms of trade and a disturbing lack of inflow. The government has been forced to borrow heavily overseas to hold up its official reserves and prevent a formal devaluation of the Australian exchange rate.

● Reuter reports from Canberra: The Association of South-east Asian Nations (ASEAN) member countries will take joint counter measures against Australia if its policies jeopardised the trade of the regional group.

An agreement on this was reached at the ASEAN economic ministers meetings in Singapore last year, Deputy Trade and Industry Minister Lew Sip Hon told Parliament on Tuesday.

Answering questions by MPs, he said that the government constantly studied the shifts in Australia's trade policies, particularly those which could affect Malaysia's economic and industrial development.

● Reuters reports from Canberra: West German President Walter Scheel, responding to an Australian attack on the European Common Market (EEC) for excluding many agricultural producers, said yesterday his country wanted the community to adopt more liberal trade policies in certain areas.

Tokyo council urges cuts in aluminium production

BY RICHARD C. HANSON

AN ADVISORY body to the Ministry of International Trade and Industry (MITI) recommended that the aluminium industry in Japan will have to cut its production capacity to 1.1m tons by 1983 from current annual capacity of 1.64m tons in order to survive.

The industrial structure council also suggested that the government extend the present provisional aluminium ingot tariff quota system to help reduce growing competition from abroad. The system was introduced this fiscal year from March allowing for 200,000 tons of aluminium ingot to be imported for use by the domestic producers at 5.5 per cent tariff in the first half, and up to 220,000 tons in the second half at the regular 9 per cent rate. For all last year, 472,000 tons was imported.

The report suggests that the seven aluminium producing companies create a joint sales company to eliminate intra-industry sales competition, and preferably building a new kind of industry clearly defining basic producers, ingot processors and aluminium product makers. Other recommendations included selling off surplus facilities to other industries for the latter to scrap or otherwise dispose of; and finding new jobs for the 1,000 or so workers (out of a present total of 8,000) which will have to be dismissed.

The aluminium industry has been designated since last May as one of the structurally depressed industries, qualified for official help in rehabilitation. The industry has already been approved for a temporary production cartel through next March. It fell into hard times following a sharp increase in energy costs caused by the 1973 oil crisis.

According to the advisory body's recommendation the industry's position is now "so deteriorated that it could hardly pull out of its current crisis by itself." The report adds that if it successfully restructures itself, it would be able to recover competitiveness in about five years. In order to cover the cost of scrapping the excess capacity in the industry—estimated at Y70bn over five years—the Government has allocated 3.25 per cent of the revenues from the special 5.5 per cent temporary tariff to an industry group for disbursement. For this year it will raise about Y3bn. The industry is asking that the percentage be raised in the future to meet the costs.

The change in tariff system and quotas for imports will not effect the imports of aluminium from less developed countries like Bahrain, Cameroon, Egypt and Ghana which have a separate quota of 61,000 tons for the year at the low tariff rate of 2.75 per cent. This amount has already been imported during April-September term.

Pakistan banking call

BY CHRIS SHERWELL

LAHORE, Oct. 24.

THE KEY to a solution of Pakistan's deep-rooted economic problems lies in the introduction of an Islamic system of laws and particularly of interest-free banking, a leading religious scholar and close confidant of the country's military leader, General Zia-ul Haq said today.

Maulana Abul Ala Maudoodi, whose Jamaat-i-Islami party is acknowledged to be a powerful influence in the Government, told the Financial Times that a system in which interest was prohibited and profit-sharing became the basis of all banking and financial affairs could be introduced within a year.

General Zia had promised over the weekend that he would fix a final date for the introduction of an "interest-free economy," and said yesterday he would announce measures introducing an Islamic system of law in about 10 days time.

General Zia also reiterated that elections will be held next year, but it appears that certain conditions will have to be filled. He said the future elected government would be obliged to implement the Islamic system whose foundations he would lay. Since taking over from Mr. Z. A. Bhutto in a bloodless coup in July 1977, General Zia has been promising elections at various times. Maulana Maudoodi's party was instrumental in the nationwide agitation which led up to the coup. Last weekend General Zia said he would hand over to a coalition of the party and other religious groups if they merged.

هكذا من الأصل

OVERSEAS NEWS

Alma oilfield future under discussion in Middle East talks

BY L. DANIEL TEL AVIV, Oct. 24.

THE FUTURE of the Alma oilfields near A-Tur, off the eastern shore of the Gulf of Suez, and the Egyptian demand for compensation for oil which Israel pumped from the Abu Rudeis field, are at the centre of the tripartite Egyptian-Israeli-U.S. economic talks, currently taking place in Washington. The field at A-Tur was drilled and brought into production by the Neptune Oil Company under a licence granted to it by the Israeli Government.

Israel is claiming the right to a supply of oil from this field at a reduced price, while the Superior Oil Company of Houston, Texas, is asking for compensation for cash invested in the field, according to the Washington correspondent of Maariv, which describes Superior Oil as the major shareholder in Neptune.

The field is currently producing 14,000 barrels a day, with two more wells in the process of being sunk. The potential of the field is put at at least 40,000 barrels a day (which would cover 25 per cent of Israel's present annual oil requirements). Profits to date reportedly amount to $21m against an investment of $38m.

The question of compensation will arise if the Egyptian authorities do not permit the company to continue developing the field. Amoco reportedly maintains that it is the legal licensee for the area.

The position is entirely different for the Abu Rudeis field which was returned to Egypt as part of the Israeli withdrawal under the Separation of Forces agreement. This field was developed while the area was under Egyptian control and was pumped by an Israeli company which repaired the war-damaged installations. Hence Egypt's claim to compensation for oil from these fields which covered 40 per cent of Israel's requirements at the time they were handed back. Egypt is reportedly claiming $2m in compensation for this oil.

AP writes from Connecticut: Continental Oil Company and Egypt's state-owned oil company have agreed on additional oil and gas exploration rights for Conoco in the Israeli-occupied Sinai. Conoco said that the new production-sharing contract with Egyptian General Petroleum Corporation is for exploration rights in an area of about 214,000 acres in western Sinai. The area, largely unexplored, lies in El Qaa plain, which adjoins the eastern shore of the Gulf of Suez.

● Sniper fire and rockets killed four people and wounded 12 in Beirut today, AP reports. Syrians and Christians accused each other of breaking the 19-day-old cease-fire.

The hostilities erupted yesterday in Dikwaneh on the northern flank of Beirut's Christian sector, and Syrian hilltop positions at suburban Sinn el Fil and Tel al Zaatar, a former Palestinian guerrilla stronghold.

The Syrian-dominated Arab League army policing Lebanon's *civil war armistice* blamed the outbreaks on Christian snipers, claiming they were massing gunmen at areas evacuated by the Syrians.

Success in Syrian—Iraqi attempts to forge an alliance against the Camp David agreement could mean a major, new force in the Middle East. Patrick Cockburn reports.

Syria, Iraq try to smash Sadat's bandwagon

SYRIAN PRESIDENT Hafez al-Assad's visit to Iraq, which began yesterday, is the first break in the bitter hostility which has divided the rival Baath Party Governments in Damascus and Baghdad, and may presage a major realignment of Arab forces.

The two regimes were exchanging ferocious propaganda broadsides as recently as last month and there must be doubts about whether they will be able to overcome their mutual antagonism.

President Assad's visit to the Iraqi leaders immediately before the pan-Arab summit in Baghdad on November 2 is a direct consequence of the Camp David agreement between Israel and Egypt. The Iraqi response was to suggest the summit, a $9bn fund to be contributed by Arab oil producers to combat the Egyptian-Israeli accords, and the stationing of Iraqi troops on the Golan Heights.

The offer was greeted with great suspicion in Damascus. The Iraqis previously had refused to join the "steadfastness front" of hard-line states led by Syria which was set up after the visit of President Anwar Sadat of Egypt to Jerusalem. In a move regarded by the Syrians as completely hypocritical, the Iraqis walked out of a meeting of hard-liners in Tripoli, Libya last year on the grounds that it was insufficiently hard-line. At the same time, Baghdad drew up an unrealistic plan for organising a northern front against Israel under joint Syrian-Iraqi control.

Despite past differences, the development of a strategic entente between the two governments would mean a major realignment on Israel's northern front. The fundamental weakness of the hard-liners opposing Camp David has been that Syria is the only radical confrontation state sharing a border with Israel. Libya, Algeria and South Yemen are too far from the conflict to make more than a token gesture, and moderate Jordan sits on the fence.

An agreement between Iraq and Syria would mean a solid bloc of territory from the Mediterranean to the Gulf acting in unison against the Camp David accords. Syria is too weak militarily to contemplate conflict with Israel, but with the addition of the 212,000-strong Iraqi armed forces Israel's military superiority would be much less striking. Israel's 375,000 troops (on mobilisation), 3,000 tanks and 543 combat aircraft would be ranged against a joint Syrian-Iraq force of 380,000 troops, 4,300 tanks and 731 aircraft. The balance in sophisticated weaponry, however, especially tanks and aircraft, is markedly in Israel's favour.

Keeping Iraq out of the line-up of confrontation states with Israel has always been an important part of U.S. policy in the Middle East. In the years immediately after the Baath Party came to power in a coup in 1968, it was too absorbed in maintaining its position in Baghdad to consider foreign entanglements.

The Israeli Cabinet will hold a third special meeting today on the **draft peace treaty with Egypt, David Lennon reports from Tel Aviv. The debate is being prolonged because all 17 Ministers want to speak. In Cairo meanwhile, according to Reuter, President Sadat repeated his commitment to self-determination for Palestinians on the West Bank and in the Gaza Strip.**

Iraqi divisions joined the Syrians on the Golan Heights in the 1973 war and clashed with the Israeli army. But the long and costly war against the secessionist Kurds in the mountains of north-east Iraq ensured—until recently—that Baghdad was nervous of a major commitment against Israel. Only when the Kurds were effectively crushed in 1975, after the Shah agreed to close the Iranian border and cut guerrilla supply lines, were the Iraqis in a position to pursue a more active foreign policy.

Essentially this policy took the form of more militant attacks on Syria. The hostility between the two Governments had something of the savagery of a family quarrel. Both claim to be the true keepers of the faith of the Arab Baath Socialist Party, the ideology of which combines pan-Arab nationalism with socialism.

The Iraqi Baath was essentially a civilian movement. Its most powerful figure and the regime's present strongman, Saddam Hussein, successfully did away with the Baathist leaders whose power came from the army. The Syrian offshoot of the Baath Party was fundamentally a military movement. President Assad's power base from which he mounted his bloodless coup in 1970, was built up when he was commander of the air force and Defence Minister.

Both sides also have their own religious and regional loyalties. Most of the Syrian Baath leaders are members of the minority Alawite Moslem sect, while the Iraqi leaders are predominantly Sunni Moslems from the towns north of Baghdad, such as Tikrit. Denunciations of the "Alawite clique" and the "Tikriti tribalists" were a common feature of the propaganda war between the two Governments.

Hostilities reached a peak during the Syrian intervention in Lebanon. When the Palestinians and their Moslem allies came under attack from Damascus, Iraq gave them both military and political backing. President Assad subsequently accused Baghdad of being behind a wave of assassinations and bombings in Syria.

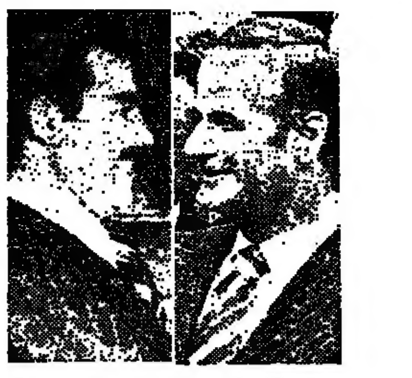
The Iraqi leadership appears to have believed that President Assad would be destroyed by his entanglement in Lebanon. His survival, and the tight Syrian control over the Palestinians which his position in Lebanon gave him, was an added spur to the vicious war between Iraq and the Palestine Liberation Front earlier this year.

This traditional loathing between the two Governments is hardly a good omen for practical cooperation in the future. The Syrians are likely to have misgivings about the presence of *five Iraqi divisions, even if* stationed on the Golan Heights front. They will be particularly anxious that an entente with the Iraqis does not entail a modification of their policy in Lebanon under pressure from Baghdad.

Such disadvantages may be outweighed from Syria's point of view by a partial redressing of the balance against Israel in the wake of a bilateral deal between Jerusalem and Cairo. It will also make King Hussein of Jordan less likely to fall in with American plans for the West Bank.

The economic benefits for Syria include financial aid from Iraq and perhaps other Arab oil producers, the reopening of the trans-Syrian oil pipeline carrying Iraqi crude to the Mediterranean—which could be worth up to $300m a year in transit fees—and increased transit trade in European goods for the Iraqi market through Syrian ports such as Latakia and Tartous. Syria could also receive cheap Iraqi crude.

For the Iraqis, agreement with Syria would allow them to exercise their powers to its full potential in the cockpit of Arab politics. With all Arab states except Egypt expected in Baghdad at the beginning of next month, the two will be anxious not to offend more moderate states such as Saudi Arabia, Kuwait and Jordan.



Mr. Saddam Hussein (left) and President Hafez Assad

Eritrea offensive leaves battle-lines unchanged

BY DAN CONNELL GHINDA, Eritrea.

This dispatch was written on October 11 and delayed by communications difficulties.

THE GUNS in the eastern part of Eritrea are silent now after three months of the heaviest fighting in this 17-year war and the battle lines are essentially unchanged.

Repeated attempts by Ethiopian forces to break out of the Eritrean capital of Asmara and the Red Sea port of Massawa were blocked by the Eritrean *People's Liberation Front* (EPLF), and today the two sides face each other in trenches and fortifications within gunshot range on the outskirts of the two cities.

The brunt of the Ethiopian counter-offensive which began in June was borne by the other main Eritrean guerrilla group, the Eritrean Liberation Front (ELF). It lost all the towns it held in the western part of Eritrea.

The EPLF made what it called tactical withdrawals from the parts of Massawa that it occupied and from towns to the south-east of Asmara before Ethiopian forces arrived. Then, in fierce and bloody battles, the EPLF successfully resisted Ethiopian attempts to advance from Asmara to the town of Keren, to the north-west.

The eastern front covers the strategic mountain slope region between Eritrea's central highland plateau and the Red Sea coast, and includes as its core the 70-mile asphalt highway connecting Asmara with Massawa. This road is the economic lifeline to Eritrea's interior.

The EPLF cut the Asmara-Massawa road in October last year and went on to capture all the towns and bases along its length by January, digging in at the edge of Asmara where an estimated 50,000 government troops are now quartered.

The last of a series of Ethiopian attempts to break through the EPLF lines came on August 28, according to one of the fighters.

"They came at ten past five in the morning," he said. "They tried at first with their heavy artillery and aircraft, and then the military came on foot. We pushed them back, and they tried again. We pushed them back again. After that no enemy came."

The morale of the frontline fighters appeared to be high, and they expressed confidence that they could hold this line indefinitely. The situation around the port of Massawa is similar, with the EPLF dug into the parched desert hills outside the city, and supplied nightly from the towns in their rear.

The only military action here seems to be in the air as Ethiopia's Russian-supplied MiG jet fighters bomb the frontlines and the EPLF-held towns on a daily basis, but to no noticeable effect on either the military situation or on civilian morale.

According to deserting soldiers arriving here, Ethiopia's military leaders are stepping up executions of officers and men and transferring large numbers of men from one unit to another in the face of failing morale among the 50,000 soldiers in Asmara.

Benguela rail link to reopen

By Our Foreign Staff

The Benguela Railway will reopen on November 4 for the first time since traffic was disrupted in 1975 during the Angolan civil war, according to a spokesman for Tanganyika Concessions Ltd. Tanganyika Concessions owns 90 per cent of the 2,000-mile-long railway.

Fighters ban for Taiwan

By David Buchan

WASHINGTON, Oct. 24.

PRESIDENT CARTER has turned down Taiwan's request for a newer version of the F-5 fighter aircraft made by Northrop.

Government officials said the President's decision was based on the Administration's policy of not selling more sophisticated weapons in areas of potential conflict, but that a desire not to jeopardise Washington's increasingly warm relations with Peking was also a factor.

Mr. James Schlesinger, the U.S. Energy Secretary, arrived today in Peking to discuss with his Chinese counterpart possibilities of U.S. help in the exploration and production of Chinese offshore oil. The visit follows trips to Peking by Mr. Cyrus Vance, the Secretary of State, Mr. Zbigniew Brzezinski, the National Security Adviser, and Mr. Frank Press, the White House scientific adviser—all within the past 14 months.

WORLD TRADE NEWS

U.S. will match lower interest on export credits

BY ROBERT MAUTHNER

PARIS, Oct. 24.

THE UNITED STATES today announced it would match the lower export credit interest rates and longer repayment terms of its OECD partners until agreement was reached on a revision of the current international export credit arrangement.

The American position was made clear by Mr. Garry Hufbauer, Deputy Assistant Secretary of the U.S. Treasury, during the annual review of the arrangement which is taking place here this week.

As was widely forecast before the meeting, the U.S. tabled a proposal that interest rates on export credits, which vary according to the prosperity of the buyer country, should be raised by 0.25 to 0.75 per cent, with the bulk of the rates rising by 0.5 per cent. Rates under the arrangement at present range from 7.25 to 8 per cent, depending on the category of country involved and the length of the credits.

The U.S. also proposed that, whenever a Government provided an exchange risk insurance, as well as normal guarantees against commercial and political risks, the interest rate should be that fixed by the new arrangement and not that of domestic markets.

In addition, the U.S. proposed that the revised arrangement should incorporate the present OECD understanding on aircraft, but that its terms should be modified to put sales and leasing arrangements on the same footing.

Under the present "standstill" understanding, cash payments of at least 10 per cent of the price of an aircraft must be made by the purchaser and repayment terms should not, in most cases, exceed ten years. This did not, however, prevent France from extending the repayment period to 12 years for its recent Airbus deal with Eastern Airlines, nor the UK from offering 15-year repayment terms in the deal with Panam for Rolls-Royce-engined TriStars.

On this and other counts, both deals had been sharply criticised by the U.S. for running counter to the international export credit arrangement.

Mr. Hufbauer also went out of his way tonight to castigate the so-called "mixed credit" system, under which a link was established betwen aid and commercial export credits. The U.S. considered, in particular, that mixed credits should not be extended to relatively prosperous countries.

A specific target of U.S. criticism was the planned Japanese low-interest development loan to China, part of a big financial package aimed at doubling trade between the two countries. The interest rate fixed for this loan was reported to be well below the 7.5 per cent laid down in the OECD arrangement for tied export credits to developing countries.

UK-Soviet trade deficit narrows

BY DAVID SATTER

MOSCOW, Oct. 24.

THE VALUE of British exports to the Soviet Union rose 15 per cent during the first nine months of this year, compared with the same period of 1977, as deliveries of power station equipment under a major Anglo-Soviet contract boosted the export totals.

Figures released by the British Embassy show that UK exports had a total value of £311.9m for the January to September period of 1978 compared with an export value of £270m for the same period last year.

British imports of Soviet goods during the same period fell sharply during the first three quarters of this year. They had a value of £488.1m or 18 per cent less than the value of imports for the first nine months of last year, which was £594.1m.

The balance, which has traditionally been in the Soviet Union's favour, was £176.2m, a sharp reduction from the deficit for the first nine months of last year which was £324.2m.

Overall trade turnover for the first three quarters was £800m, 7 per cent less than the turnover for the same period last year which was £864.1m.

The decline in British imports was largely accounted for by a decline in purchases of Soviet textile fibres, non-metallic minerals, iron and steel.

The major item in the improvement in the British export figures was the major increase in deliveries of British power generating equipment. These rose in value from only £1.25m in the first eight months of last year, to over £30m for the first eight months of 1978.

This increase reflected deliveries under the Cobberow gas compressor station contract signed in December, 1976.

The figures are expected to remain favourable as deliveries on several other major Anglo-Soviet contracts including the Davy Powergas methanol plant contract, the CJB polyethylene plant contract and the Simon Carves tyre plant contract begin to show up in the fiqures toward the end of this year and early next year.

Oil 'will lift Malaysian exports'

BY WONG SULONG

KUALA LUMPUR, Oct. 24.

THE MALAYSIAN Treasury's annual economic report has forecast that the country's exports for next year are expected to increase by 12.3 per cent to 18,086m ringgits ($8,400m) with oil exports accounting for the bulk of the increase.

It said exports of crude and partly refined petroleum are expected to increase by 37 per cent to 13.13m tonnes, valued at about 3,450m ringgits.

This would place petroleum exports just a few million ringgits below rubber as Malaysia's top foreign exchange earner.

Rubber exports are expected to increase by 34,000 tonnes to 1.654m tonnes. The economic report is projecting an average price of 208 cents per kilo for rubber for next year, resulting in export receipts of 3,524m ringgits.

Export receipts for palm oil are expected to increase by 6 per cent to 1,965m ringgits. Palm oil export volume is expected to recover from the drought to register a 13 per cent rise to 1.77m tonnes for 1977.

However, because of strong competition from other edible oils, palm oil prices are likely to fall by 6 per cent to 1,110 ringgits per tonne.

For tin, the export volume is forecast to increase only marginally to 69,000 tonnes. Export receipts of 1,940m ringgits representing an increase of 4.5 per cent, are expected, based on a price increase of 3 per cent to 28,110 ringgits per tonne.

On imports, the economic report forecast that imports for 1979 would also rise by 12.3 per cent to 14,737m ringgits, with the bulk of the goods in the form of machinery and transport equipment (5,540m ringgits), food items (2,400m ringgits) and manufactured products (2,200m ringgits).

Japan is expected to be Malaysias top trading partner, with exports to Malaysia at 3,242m ringgits, and imports from Malaysia at 4,000m ringgits.

The United States is second with exports at 2,200m ringgits, and imports at 3,840m ringgits, while Britain is third with exports to Malaysia at 1,000m ringgits and imports of 1,800m ringgits.

New Acominas loan signed

Morgan Grenfell has signed a £13.7m loan to Aco Minas Gerais S.A.—Acominas—which will provide finance for a contract awarded to Davy Ashmore International. The contract is for the supply of structural steel and the supervision of erection of five mill buildings for the development of an integrated iron and steel works complex being undertaken by Acominas at Ouro Branco in the state of Minas Gerais, Brazil.

Redpath Dorman Long, a subsidiary of British Steel, is the nominated sub-contractor for the supply of the structural steel work.

Russia's shipping rates 'are unfair'

BY GUY HAWTIN

FRANKFURT, Oct. 24.

WEST GERMAN owners are accusing the Soviet Trans-Siberia Container Line of offering unfair competition on the routes between Western Europe and the Far East.

They claim that European companies are becoming increasingly dependent on Soviet transport enterprises on these routes—a situation, they say, that is fraught with political and economic dangers.

The Verband Deutsche Reeder, the West German shipowners' association, said today that the Trans-Siberia Container Line (TSCL) had increased the shipments it handles to Japan by 300 per cent since 1972. During that period its share of the market had risen from 21.5 per cent to 30.5 per cent.

While the Russians were concentrating on building up their business with Japan and West Germany, the two leading exporting nations, the share of the West European-Far Eastern transport business had also been growing quickly.

Last year alone the Soviet Union's share of the total "liner" traffic between the two areas increased to 10 per cent as a result of the Trans-Siberian service.

According to the association, German harbours, the Bundesbahn (the Federal German railway system) and numerous German transport concerns, are being hard hit by "unfair" competition from the Russians. The Russian enterprises, it says, do not have the same need to make a profit as Western companies and are competing at "non-commercial" rates.

A document produced by the Verband Deutsche Reeder, the association of inland waterway shipping companies and the German Transport Association, traces the growth of the Soviet Union's operations in the area.

Volvo, Toyota top in test

BY JOHN WALKER

STOCKHOLM, Oct. 24.

THE 1976 models of the Swedish Volvo 242 DL and the Japanese Toyota Corolla, had the lowest number of faults at the compulsory annual inspection.

The next eight out of 10 cars of the same makes passed the test without any faults, according to Svensk Bilprovning the government owned vehicle testing organisation, in its latest report, entitled "The Weak Points of Cars."

The compulsory fitting of head-lamp wipers in 1974 comes in for a considerable amount of criticism. It is claimed that repairs and servicing to this delicate piece of equipment has cost the motorist about SKr 20m.

The statistics for the survey were compiled from Bilprovning's inspections of models from tests made in 1970, 1974, 1976. The total number of cars inspected amounted to 2.5m during the period July, 1977, to June, 1978.

Spanish exports level out

By David Gardner

MADRID, Oct. 24.

THE upswing in Spanish exports observed throughout most of this year seems to have levelled out in September which registered the worst figures since January. The September trade figures show exports worth Pta 66.9bn (£483m) against imports of Pta 108.3bn, the worst shortfall this year.

However, Spain's external trading deficit for the first nine months of this year has improved 32.1 per cent against last year. The figures for the nine months to September show that Spain imported goods worth Pta 1,064bn against exports of Pta772.9bn, a deficit of Pta 341.8bn.

Spanish exporters are concerned that those sectors of the economy which have sought to use up the slack caused by depressed demand at home by increasing sales abroad may now be placed under increasing pressure.

Air leasing contract

TOKYO, Oct. 24.

SINGAPORE Airlines will shortly sign a $260m contract with a Japanese syndicate to lease four McDonnell Douglas DC-10-30 passenger jets for 10 years, a Japanese spokesman said today.

The spokesman for the Orient Leasing Company, leading the syndicate, said the project was arranged as part of emergency import measures adopted by the Japanese Government last April to trim its huge trade surplus with the rest of the world.

Italy bids for more deals from Peking

BY OUR OWN CORRESPONDENT

IVREA, ITALY, Oct. 24.

OLIVETTI, the office equipment and small computer manufacturer, has won its first order from China after two years of patient spade-work.

The contract, whose value has not yet been announced, is for the supply of a computer system and terminals. Olivetti hopes to follow it up with further deals, possibly for sale of technology or even of complete plants.

Other major Italian companies are also hoping to pull off deals with China in the near future. The Fiat motor group is currently exhibiting its agricultural vehicles range at the Peking agricultural trade fair, in the hope of obtaining contracts for the sale of tractors, and possibly for construction of new plants or extension of existing factories.

ENI, the Italian state energy group, is negotiating for off-shore oil drilling rights and for contracts to build petrochemicals plants.

The Italian sales drive to China has already seen Sig. Guido Carli, the chairman of the industry federation, Confindustria, lead a delegation of top industrialists to Peking earlier this month.

● Italy has confirmed itself a nation of whisky drinkers despite attempts by the authorities to convince Italians to buy local products, writes Paul Betts.

Statistics released in Rome today show a 17 per cent increase in the imports of blended whisky and a 22 per cent rise in the imports of malt in the first half of this year compared to the same period last year.

Dutch trade in deficit

BY CHARLES BATCHELOR

AMSTERDAM, Oct. 24.

HOLLAND'S FOREIGN trade position continued to worsen in August when a deficit on visibles of Fl 876m ($438m), the largest for 14 months, was recorded. Imports totalled Fl 9.1bn ($4.55bn) while exports were only Fl 8.23bn, according to the Central Statistics Office.

The deficit in the first eight months of 1978 was Fl 3.8bn compared with Fl 2.6bn in the same period of 1977. No particular factors account for the large August deficit, an Economics Ministry spokesman said.

The stagnation of world trade particularly affects Holland while those sectors in which Holland specialises, such as petrochemicals, oil refining and steel, have been badly hit.

The August figures were only slightly higher than the July deficit of Fl 843m, but it was sharply up on the August, 1977, deficit of Fl 559m. The latest month's figures are the worst since June, 1977, when the visible balance was Fl 889m in the red. Imports in the first eight months were Fl 74.5m compared with exports of Fl 70.7bn.

China's steel policy worries Japan

BY CHARLES SMITH IN TOKYO

THE JAPANESE steel industry, which depended on the U.S. market for over 50 per cent of its exports until the late 1960s, is now shifting towards a position of heavy, though rather uncomfortable reliance on the Chinese market for selling its steel.

Exports to China, which amounted to less than 2m tons per year in the early 1970s, will hit 5m tons by the end of 1978 and are expected to jump to at least 7m tons next year making China, for the first time, the largest overseas market for one of Japan's top export industries.

Exports should rise still further in 1980, but may level off after that depending on the success with which China develops its own steel industry.

The rise of the China market at the expense of Japan's more traditional Western markets for steel reflects the failure of Peking to step up its own steel production in line with demand since the end of the Great Proletarian Cultural Revolution.

The gap has widened dramatically since the start of the ten-year modernisation programme undertaken by China's new "moderate" leadership. However, Japanese steel exporters are clearly worried by China's ability to pay for the steel it seems likely to need over the next two to three years. Worries also exist about what some Japanese exporters describe as the global "bargain hunting" policies of the Chinese State Trading Corporation responsible for steel imports.

Japan's six major integrated steel producers traditionally negotiate their sales to China on a twice yearly basis and through a single channel (in order to avoid being played off against one another by the single Chinese purchasing authority). The industry agreed to ship 2.5m tons of steel during the first half of 1977 at a dollar denominated price which was 14 per cent higher, on average, than the price level obtained in the second half of last year. Shipments for the second half of 1978 will again total 2.5m tons and will be priced 22 per cent above the level for the first half of the year.

The dollar price increases obtained by the industry are claimed to have been just enough to offset the decline in the value of the dollar against the Japanese yen over the same period. However prices for steel sold to China remain far below those obtainable in other markets (particularly in the markets of U.S. and Western Europe following the introduction ftin of trigger price systems over the past year).

Japan will have a clearer idea of China's 1979 steel requirements after a mission composed of vice-presidents of the major companies visits Peking early in November.

A preliminary guess is that China may start by asking for shipments of up to 10m tons for the w hole year (double the actual level of 1978 shipments) with particular stress on seamless pipe for use in offshore oil development.

Japan will have the option between agreeing to meet China's full requirements at rock-bottom prices or using the rapid increase in Chinese demand as a lever to obtain a further boost in prices.

The outcome, again largely a matter of guesswork, could be an agreement to supply some 7m to 8m tons of steel at prices 20 to 30 per cent above the levels of late 1978.

JAPANESE STEEL EXPORTS TO CHINA

	Export volume	Market share
1972	1.7	7.8
1973	2.7	10.4
1974	2.9	8.7
1975	2.8	9.5
1976	3.5	9.5
1977	4.5	13.0
1978 (Est.)	5.0	16.9

If an agreement is reached along these lines the China steel market could be worth some $2.3bn or $2.4bn to Japan next year compared with this year's estimated earnings from steel exports to China of around $1.3bn. China's share of total Japanese steel exports (in volume terms) could exceed 20 per cent, compared with its 1978 share of 16 per cent and only 8 per cent as recently as 1973.

As regard's Japan's share in the Chinese import market, most estimates put it at around 80 per cent but China is said to be sounding out developing industrial countries such as Brazil as potential steel exporters, if only with the object of obtaining price quotations which can then be used for "beating down" traditional suppliers.

The basic attitude of Japanese steel producers to the China market appears to be that it offers a valuable lifeline, at a time when western markets seem to be closing against Japan (and when the utilisation of production capacity is at critically low levels) but that in the long term extremely heavy dependence on Chinese demand could be dangerous.

The industry calculates that China probably does not have the foreign exchange resources needed to continue increasing imports at the current rate for more than a year or two, without shifting from a cash basis to a deferred payments basis for steel sales.

The industry is very reluctant to offer deferred payment terms for steel shipments which are not directly linked to resource development programmes (such as seamless pipes for offshore oil development).

One reason for this reluctance would seem to be the belief that China is likely to be mortgaged up to the hilt by 1980 as result of the deferred payments contracts it is signing for Japanese industrial plant, including steel manufacturing plant which, like raw steel, will be supplied by the "big six" integrated steel manufacturers.

Estimates of China's overall trade deficit with Japan put the Chinese deficit at $3.6bn by the early 1980s when plant deliveries will be at a peak, but the gap could be larger if Japan goes all out in pushing steel sales.

The crucial importance of China to the Japanese steel industry explains why the chairman of Nippon Steel Corporation, Mr. Yoshihiro Inayama, played the key role in initiating and negotiating the $20bn two-way trade agreement signed early this year under which Japan has promised long-term purchases of Chinese oil and coal in return for exports of industrial plant and construction materials.

It also explains why the steel industry has the reputation in some quarters of having been "architect" of the Treaty of Peace and Friendship which enabled the two countries to join hands politically last August.

As a result of these two agreements the prospects for China-Japan relations are officially said to be excellent. They would be even better if the Japanese business world was convinced that China had the ability to pay for everything it seems to be planning to buy in Japan over the next few years.

HOME NEWS

Low-key Heath argues for incomes policy

BY RICHARD EVANS, LOBBY EDITOR

MR. EDWARD HEATH, former Conservative leader, again maintained last night that governments could not opt out of their role in incomes policy. But his argument was muted when he spoke at a Berwick and East Lothian by-election meeting.

Mr. Heath was clearly anxious not to rock the Tory boat and face accusations of damaging the party's prospects in a contest they hope to win tomorrow.

But it was clear his views remained at variance with those of Mrs. Margaret Thatcher and were much closer to those of Mr. James Callaghan on the central issue of government intervention in pay policy.

"Government cannot opt out. Government cannot say 'it is not our fault.' They are expected to use all the weapons at their command in this crucial battle so that this country of ours can become more efficient, more competitive and a better place in which to live," he declared.

That was his objective and it would be the objective of the next Conservative government. He was convinced it was also what the p eople wanted.

Mr Heath, having infuriated many Conservatives by backing Mr. Callaghan's defence of the 5 per cent pay line, and opposing Mrs. Thatcher's call for governments to withdraw from a role in incomes policy, emphasised his loyalty to his party.

"As I have made clear on every by-election platform from which I had spoken in the last four years I am determined to play my full part both before and during the General Election campaign in achieving a substantial Conservative victory.

He knew from his postbag how terrified people were of a return to runaway inflation. "And they look to the government of the day to play its part in seeing this does not happen.

"The British people have had to make great sacrifices in the last two years. If we now give up the fight against inflation that will have been a sacrifice in vain. No responsible government can stand by and allow that to happen."

Efficiency seen as key to holding down road haulage charges

David Churchill reports on a Price Commission call for the road haulage industry to be kept under continuous review.

THE PRICE Commission yesterday strongly criticised the road haulage industry for allowing unit costs to be higher than necessary and called for measures to be taken to improve companies' efficiency.

The criticisms were made in the Commission's sector examination of the industry, made at the request of Mr. Roy Hattersley, Prices Secretary.

In the report the Commission recommends a number of ways in which the general efficiency of the industry could be improved and costs contained. It argues that if such measures were adopted, wages and other direct costs, as well as overhead costs, could be held at their present level or reduced.

The Commission's report is the most critical of the ten examinations so far undertaken since it was set up in August 1977. It is in line with the Commission's declared policy of seeking improvements in efficiency.

The report recommends that the industry should be kept under continuous review to ensure that increases in costs are not automatically reflected in future prices. In the present economic climate, and except for particular cases where higher provision for vehicle replacement may be called for, the Commission says it would expect to see only a very modest increase in charges over the next 12 months. It argues that these should certainly be no more than the increase in the inflation rate.

If charges do rise beyond such levels, the Commission believes that specific or general restrictions on charges or profit margins should be applied. The Commission makes clear that it will bear this in mind when any road haulage company notifies it of a pending price rise.

The report acknowledges that the road haulage industry "is a complex and diverse industry" It says it would be "more accurate to describe the industry as made up of a number of distinct but inter-related businesses, each of which has its own special characteristics, operation constraints and conventions and performance criteria."

But even within these different business sectors, "individual firms vary widely in size and sophistication, types of vehicle, types of load, sources of custom and also in the level of profitability," it adds.

The industry, the Commission found, had been going through a difficult period, though the effect on individual firms had varied. Margins were squeezed over the period from 1975 to 1977 in most sectors and among all sizes of operators.

"In general, the position has been that in many sectors competition is sufficiently keen, and customers sufficiently strong, for increases in road haulage charges to have been held down below the level of increase in costs."

The report states that there is "no solid evidence to support hauliers' claims that the industry was suffering from endemic overcapacity or from excessive rate-cutting as a result of the entry into the market of owner-operators and owner-drivers in recent years."

A problem of special concern to the industry was inadequate cash flow to maintain vehicle fleets at an efficient level when prices of new vehicles were rising rapidly.

The Commission recognised that some firms needed to provide for the replacement of vehicles by increasing charges to allow for adequate depreciation. But beyond this, the Commission believed that improvements in efficiency would make it possible to absorb the effects of increases in costs common to the industry, such as fuel and wages.

The report calls for revision of the basis of calculating drivers' pay. "We think that the method by which pay is widely computed contributes to inefficiency. In particular, we have in mind the common practice of paying overtime, at least partly, on the basis of notional hours rather than on hours actually worked."

Labour costs typically accounted for 33 to 38 per cent of total direct costs and were by far the largest single item faced by hauliers. It was evident that road haulage rates were strongly influenced by pay levels and pay settlements.

The report adds: "If alteration to wage structures is not to be inflationary, it is essential that there be corresponding and fully adequate improvements in productivity, including the revisions of journey scheduling standards, and reduction of notional overtime to match.

"We think that the imminent introduction of the eight-hour driving day under EEC legislation provides a good opportunity for firms in the industry to renegotiate their remuneration package on this basis."

The report states that adoption of average scheduling speeds, which were lower than they needed to be, had led in some cases to journeys consistently taking longer to complete than might realistically be expected in the light of vehicle performance and road conditions.

The Commission believes outdated scheduling standards could be brought more into line with actual performance now being achieved in the industry without implying risks in road safety. A progressive move should be made by firms away from the present practice of a single scheduling standard towards a framework of standards more closely related to expected operating conditions

Abolition of pension earnings rule to be postponed

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT has decided to postpone the abolition of the much-criticised earnings rule under which many old age pensioners have their pensions cut if they continued to work.

Announcing this yesterday, Mr. David Ennals, Social Services Secretary, said that if the rule was abolished now, the cost to Government funds between November 1978 and November 1979 could be as high as £124m.

Almost all this additional cash would go to provide pensions for those of pension age who were still in full-time employment.

Mr. Ennals' decision is based on the findings of a report commissioned by his department in 1977 and published yesterday.

This states that the Government remains committed in the long run to ending the earnings rule.

It adds, however: "This group is not one for whom additional expenditure can be given priority in the present economic situation."

The announcement caused some surprise coming only two days before voting in by-elections tomorrow in the highly marginal Labour seat of Berwick and East Lothian and the safer one of Pontefract and Castleford.

The decision could lose votes among pensioners in both areas. It is also likely to provoke a strong reaction from Labour back-benchers when Parliament reassembles next week.

Under the rule, earnings above a certain limit reduced the pension in the first five years after pension age. The present earnings limit is £40 a week but goes up to £45 next month and is raised annually in line with earnings levels.

The report states that the £45 level limit will give considerable scope for retired people to take up part-time employment without their pensions being affected.

Affected

It found that there was a surprising lack of knowledge about how the system worked and as a result the Government will mount a campaign to make pensioners more familiar with it.

"Nevertheless, it appears that few of those affected by it are discouraged from earning more because of it or would try to earn more in its absence," says the report.

The Department's records show that in July, 1977, only 5,000 retirement pensioners were having their pensions reduced because of earnings. But four times that number thought mistakenly that the earnings rule was reducing their pensions

British Shipbuilders blamed for job loss

FINANCIAL TIMES REPORTER

MEN IN a small lower Clyde shipyard have bitterly attacked British Shipbuilders and blamed the nationalised company for making 90 of their colleagues redundant. The jobs are being lost at James Lamont, in Port Glasgow—only a few yards from the Scott Lithgow drydock where 200 redundancies were announced last week. Shop stewards claimed that the small independent yard is failing because it cannot compete with British Shipbuilders which takes in the Scott Lithgow group.

"We are a small family business," said Mr. John Mitchell, yard convenor, "and we cannot compete in the way the enormous concerns can."

The Lamont yard is due to complete its last order, a £2m sludge vessel for the Department of the Environment in Northern Ireland, by the end of the year, and has been unable to win more work.

The company will continue ship repairing at its Greenock yard with the remaining 200 employees. Mr. Robert Wallace, managing director, said Lamont would resume ship building if a viable order came along.

Oil companies and nationalised energy corporations are being asked by the Scottish Office to bring forward any possible order for a jack-up drilling rig so that 900 redundancies could be averted at the Clydebank yard of Marathon Shipbuilding.

Mr. Bruce Millan, the Scottish Secretary of State, told shop stewards representing Marathon's 1,100 workers that he would consider backing an early order with the yard, even if it was partly speculative.

But he has virtually ruled out the possibility of placing a Government financed speculative order without a prospective owner to meet at least part of the cost.

Last year, the Scottish Office placed, through the British National Oil Corporation, a £13m speculative order with Marathon which was later sold, together with a second unit, to Penrod Drilling of the U.S.

As well as requesting oil companies to consider placing a jack-up order with the Clydebank yard, the Scottish Office will be contacting the British Gas Corporation and the National Coal Board to ask if they would have an early need for such a unit.

Unless Marathon wins another order soon, they will have to start paying off workers from mid-December. The last rig on the yard's order book is due for delivery next April.

Saab £200,000 backs young tennis players

BY JOHN BARRETT

SAAB, the Swedish motor company, is to invest £200,000 in the future of British tennis.

Working through Paul Hutchins, Lawn Tennis Association training manager, Saab will support tournaments, scholarships and international matches in winter for players between 12 and 16. The company has guaranteed £40,000 a year for five years.

A panel of judges, including Hutchins, will decide how the coaching grants and scholarships are awarded. Players may be sent to tennis schools or training camps abroad if facilities in this country are not available.

They will go with suitable coaches to compete in European and American junior tournaments.

Victorian paintings fetch record £595,000 total

SALEROOM

BY ANTONY THORNCROFT

THE CONFIDENCE shown by Sotheby's Belgravia in the growing market for Victorian paintings was amply justified yesterday when two sales produced a record total of £594,840. A select auction of 32 works brought in £245,800, with 14 artists establishing new record prices.

The top price was the £45,000, plus the 10 per cent buyer's premium, paid by the Fine Art Society for a "View of Mount Tomohrit" in Albania by Edward Lear. It was a record for the artist, as were all the highest prices, and more than twice the pre-sale forecast. Fisher Fine Art gave £22,000 for "A Birthday Picnic," by Arthur Hughes, a classic of pre-Raphaelite portraiture.

The same sum secured "The Doctor," a genre scene by Frederick Hardy, and a Japanese dealer paid £13,000 for "Now is the Pilgrim Year Fair Autumn's Charge," by John Byam Liston Shaw. The same picture sold at Sotheby's three years ago for £3,000. Colnaghi paid £11,000 for "Les Adieux," a drawing by Jacques Joseph Tissot. An oil painting of the same subject is in the City Art Gallery, Bristol.

After the special sale, other Victorian pictures brought in £349,040. Alexander paid £13,000 for a still life of fruit by Edward Ladell; a typical pair of farmyard scenes by Edgar Hunt realised £9,000, and another, very similar, pair the same sum. Both went to a Belgian collector.

At Christie's yesterday, Philippe Guy E. Woog, a Swiss collector, paid an exceptional £50,000, plus the 10 per cent, for a Maori wood house post from New Zealand, carved as a standing male figure, 50½ ins high. The post was carved about 1830 and sent for sale by Mr. J. L. Williams, a great grandson of Bishop William Williams, one of the country's first missionaries. It was brought to England by Bishop Williams' grandson about 1880.

The sale of tribal art brought in £138,594. A New Guinea wood crest carved as a crouching male figure realised £9,000, and Entwistle gave £5,000 for a Benin wood cow head kola nut box made about 1850.

The Maori carving that sold for £50,000 at Christie's.

Sotheby's sale of English pottery and porcelain brought in £110,438, with many prices far exceeding forecast. J. Horne, the London dealer, bought actively, paying £14,000 for a late 17th century slipware charger by William Talor; £10,200 for a similar dish by Ralph Toft; and £4,000 for another slipware dish, probably by Talor. J. Raison bought an early Worcester coffee pot and cover for £5,200.

British Airways to market expertise

By Michael Donne, Aerospace Correspondent

RITISH AIRWAYS has set up 1 organisation to market its :prtise in running airline operaons. It hopes to earn several illions of pounds a year in reign currency from the :nture.

The aim is to sell to foreign rlines, governments, aviation gencies and other organisations orld-wide, but especially in the iddle East, Africa and other arts of the Third World, its nowledge and management :pertise in such activities as omputer technology, communi:ations, catering and all aspects fixed-wing and helicopter airaft operating and servicing.

The airline is also ready to t up "instant airlines" for ose countries which need them, id to support other UK organitions which are already seeking iation development contracts orld-wide, for example, in the velopment of airports and lated systems.

The new management consultlcy unit is being run by Mr. hn Bull, general manager of isiness development for British irways.

Rapid monetary growth warning

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A WARNING that the Government is wrong to be relaxed about monetary growth in this financial year has come from leading City stockbrokers W. Greenwell

The brokers argue that the narrower monetary aggregates, such as notes and coin and bank current accounts, have continued to growth much too quickly. Moreover, the underlying growth of sterling M3, the broadly defined money supply including deposit accounts, is likely to start increasing again before many months.

W. Greenwell suggests that the Government is likely to react to such excessive growth, probably by raising short-term interest rates, because the main pressure will be borne in the banking sector.

In their latest monthly monetary bulletin the brokers say the recent slower growth of sterling M3, upon which Government policy concentrates, has been unrepresentative of the more rapid expansion of other monetary aggregates.

Money supply on the M1 measure, including notes, coin and current accounts, rose at an annual rate of 19 per cent in the first five months of the financial year, while sterling M3 rose by only 8 per cent.

The bulletin discusses whether the likely acceleration of sterling M3 will have a similar impact on inflation—pushing it back up into the 15 to 20 per cent range. It suggests that the answer will depend on whether the Government, like the Heath Administration, were to follow a fully-accommodating policy of permitting excessive monetary growth.

"If the Government takes whatever action is needed to constrain the growth of sterling M3, after allowing for distortions caused by the corset, below the upper limit of its target range, inflation would rise by much less—it would probably just reach double figures.

"There is sufficient evidence to be confident that the authorities will react after they consider monetary growth to be excessive. The crucial question is whether this action will be sufficient with regard to both speed and degree. Precedents suggest that it is unwise to rely on monetary policy alone. Monetary policy needs the support of fiscal policy."

The brokers suggest that the momentum of the build up in real economy activity is continuing, and so credit demands will probably rise, boosting the growth of sterling M3. If this happens, the authorities are likely to rely initially on the corset which can be tightened without an announcement. Overall, the main pressure will be borne in the banking sector and by short-term interest rates, but it is likely to filter through to longer term interest rates.

Qualified audit reports suggested

Financial Times Reporter

AUDIT reports on small companies should be qualified where there is no evidence of internal control other than that provided by the proprietors, suggests the accountancy profession.

The proposal, drawn up by the Auditing Practices Committee, is contained in a supplement to the Discussion Drafts of Auditing Standards and Guidelines, published in May. It is open for discussion until January 31.

The committee points out that, in many small businesses, the most effective form of internal control is the close involvement of the managers, who may also be the proprietors.

Where the auditor considers that, because of this, he has insufficient independent evidence on which to base a qualified opinion, the committee proposes he should describe the situation.

He should state that his opinion is "subject to" the fact that he has "had to rely on representations from the directors where alternative confirmation of transactions was not available."

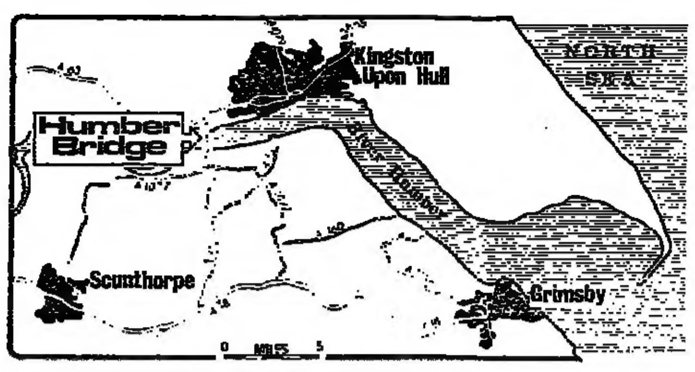
£310,425 will

MR. PHILIP YORKE, who gave his 17th century family home at Erddig, Wrexham, to the National Trust, left £310,425 gross (£309,654 net) in his will published yesterday. He died in July aged 73.

● NEWS ANALYSIS—HUMBER PROBLEMS

Troubled waters over bridge

BY IAN HARGREAVES



TWELVE YEARS after Mrs. Barbara Castle promised Hull a bridge over the River Humber the problem created by that bridge is back in the lap of a Labour Transport Secretary.

Mr. William Rodgers has entered the fray by suggesting that the parties involved in the latest row should sit round a table with him and put the facts as they see them. It is not clear what powers Mr. Rodgers possesses to resolve the difficulties

This is what the minister can expect to hear from the four groups he has invited to the meeting:

● British Bridge Builders, the consortium involving British Steel, Clarke-Chapman and Cleveland Bridge and Engineering (part of Trafalgar House) will say: "We took the bridge superstructure contract on a cost-reimbursible basis. The Humber Bridge Authority has been refusing to meet our full costs in recent months, so that it now owes us almost £1m. This is a breach of contract."

● The Humber Bridge Authority will say that BBB's work on the site is about six months behind schedule because of poor productivity, up to 60 per cent below specified levels.

● Freeman Fox and Partners, the authority's consultant engineer, will support this view of productivity and explain that it cannot authorise payments for work not completed in accordance with specified targets

● The Amalgamated Union of Engineering Workers (construction section) will say it is disturbed by the terms recently imposed upon the bridge's 300 cable-spinners, which mean a one-third cut in weekly pay in any period when the Freeman Fox targets are not met. It is even more disturbed by suggestions made to local shop stewards that if the fight over the £1m is not speedily resolved BBB will refuse to pay wages and bring work to a halt.

These essential facts in the case are clouded slightly by the motivations of the parties.

British Bridge Builders wants its money and wants to complete the contract with as little future criticism as possible. To some extent its reputation in bidding for big foreign contracts is at stake.

The position is complicated by differences within the consortium. The two members with shareholder responsibilities are worried about the £1m, which is certain to grow as productivity falls during winter conditions. British Bridge Builders is capitalised at only £300, so its current losses on the contract are having to be met from the consortium members' individual resources. Trafalgar House and Clarke Chapman do not like this.

The Humber Bridge Authority has its own internal problems. The controlling Labour group has been seriously embarrassed by the sniping of Conservative members who see bad industrial productivity in a scheme hatched, many feel over-ambitiously, by a Labour Minister as grist to the political mill.

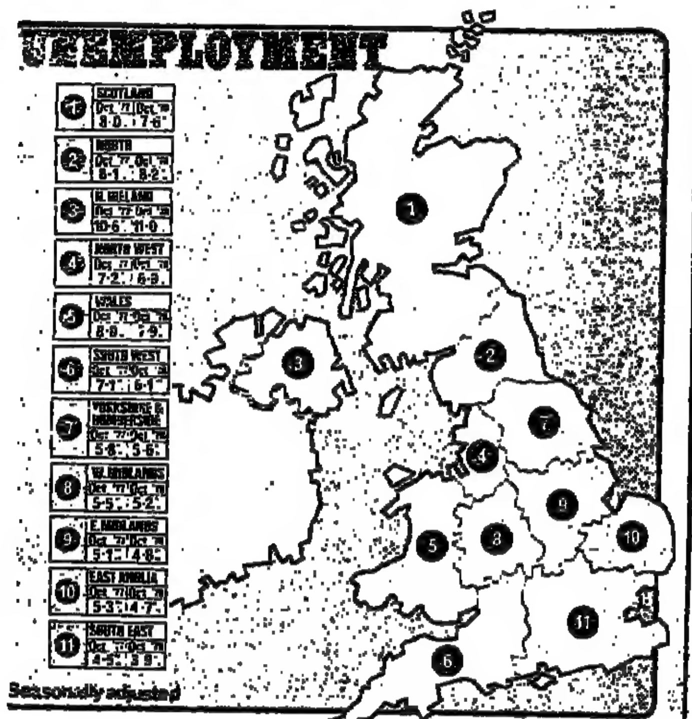
The authority is anxious to see the bridge opened as soon as possible. Most members believe it will be good for regional development. Delays mean higher costs, ultimately higher tolls, and magnify the task of repaying Government the £67m the bridge is already estimated to be costing. In total, the project is more than two years behind schedule.

Mr. Rodgers has more than one problem. Apart from helping to resolve the latest dispute, he has to answer the Public Accounts Committee which in August published a scathing attack on the project, pointing out that it had been based on "substantially inaccurate" traffic projections.

Will British Bridge Builders pull out of the contract, as they have warned the authority they will if payments continue to be refused?

There is no doubt that this and other warnings, such as that given to shop stewards, were designed to force the authority to change its position. Now this method has failed, and with the prospect of losses mounting during the winter, the cancellation option will look more rather than less attractive. Yet cancellation would be an almost unprecedented step in a prestige contract of this kind.

There was a time when construction of the world's longest single-span bridge would have been the source of patriotic pride. For the actors in the present drama the main consideration is to expedite with as little publicity as possible a project for which there is ever-decreasing affection.



Jobless figures fall

HE NUMBER of adults out of ork fell in all regions, except :e East Midlands and Scotland, the month to mid-October.

The biggest monthly fall in e seasonally adjusted figures is in the South-East and Yorkire and Humberside, where the solute number out of work ll 2.5 per cent. The fall in orthern Ireland was 2.4 per nt. The monthly increase in otland was 0.8 per cent, and the East Midlands the mber of jobless was up 100. In the past year the seasonallyjusted unemployed total fell in regions except the North, where there was a 2.5 per cent rise in the absolute number out of work. In Northern Ireland there was a 5.8 per cent increase: and in Wales a 0.5 per cent rise.

The biggest fall over the past year was in the South-East, where the absolute number out of work fell 11.6 per cent. There was a 10.9 per cent drop in the South-West, 10.8 per cent in East Anglia, 5.8 per cent in the West Midlands, 3.7 per cent in Scotland, 3.3 per cent in the East Midlands, 2.9 per cent in the North-West and 1.4 per cent in Yorkshire and Humberside.

World trade 'on threshold of sustained recovery'

BY DAVID FREUD

ORLD TRADE is on the reshold of sustained recovery, :cording to City stockbrokers illips and Drew.

However, the recovery could be reatened if there is no successl outcome to the multilateral ide negotiations due to be mpleted by mid-December.

"If the major participants in ese negotiations (U.S., Japan d EEC fail to reach agreement tariff reductions and other :asures intended to liberalise ide, then renewed protectionist :asures may well halt the ntative pick-up in world trade at has just begun."

The company points out that rld trade grew at an annual rate of more than 10 per cent between the first and second quarters of this year, after months of stagnation.

While one quarter's figures do not confirm a world trade upturn, there were grounds for optimism in the acceleration in output among the bigger trading nations, particularly in Europe.

The firm argues that trade-weighted industrial production explains movements in world trade better than output-weighted production, and based on this relationship, predicts that world trade will grow by between 6 and 7 per cent next year, and by a similar amount in the first half of 1980.

Fibres training board predicts more job cuts

BY RHYS DAVID, TEXTILES CORRESPONDENT

FURTHER drop of between and 8 per cent in employment man-made fibres by 1981 is recast by the industry's traing Board in its latest annual port.

The total labour force within e industry, which has been verely affected by the recession textiles, fell from 40,365 last ar to 36,608 at the beginning this year, a drop of more than per cent. But according to the ard this new level is unlikely be sustained even though some owth in output will take place.

The view among companies, it tes, is that at least until 1981 oductivity improvements will accompanied by further manwer reductions, and it warns at further plant closures canit be ruled out.

In the past year two plants ve been closed bringing the tal number of units within the ctor down to 40.

The industry's current difficul:s are blamed on worldwide er-production, with new plant ming on stream in a number countries within Europe and sewhere, and on weak home arket conditions.

The size of the fall in production in the last quarter of 1977 was greater than had been foreseen, leaving the industry operating at only 60-70 per cent capacity over the year as a whole.

Some improvement took place in the first half of this year, however, and following the reductions in employment over recent years the industry was now producing the same quantity of fibre as in 1972 with 22 per cent fewer employees.

The report also notes that the industry's prospects could improve if an agreement reached earlier this year on the regulation and redistribution of fibre capacity is implemented.

This agreement ran into difficulties this summer with the European Commission, and further studies of problems within the sector have now been largely completed. The Commission is due to discuss the proposed arrangement for regulating capacity in two weeks time.

Man-Made Fibres ITB. Report for the year ended March 31, 1978. Langwood House, 63, High Street, Rickmansworth, WD3 1EQ.

HOME NEWS

Government may soon repay $1bn to IMF

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT seems ready to repay a further $1bn of its International Monetary Fund debt.

This follows repayment of $1bn earlier this year and means that during 1978 the UK will have repaid — well before maturity dates—about half the $4.03bn loans originally drawn from the Fund.

It is not yet certain whether the repayment will be made in time for the October reserves figures, or will come in next month. But an earlier move looks more likely in view of other influences on the reserves this month, in particular the receipt of the remaining $350m on the Electricity Council's syndicated bank loan. This would offset the impact of the repayment on the published total.

In addition, there is likely to have been a strong underlying inflow into the reserves as the Bank of England has periodically taken in foreign exchange as a result of intervening to support the dollar. The extent of the support is not yet clear.

The official reserves stood at $16.5bn at the end of September.

The intention to repay the further $1bn was announced by Mr. Denis Healey, the Chancellor, in his April Budget. The decision has not yet been implemented — partly for reserves management reasons but also because of technical factors associated with the needs of the Fund.

The further $1bn is likely to come from the credit tranche arranged at the end of 1976 and drawn in early 1977. This money was not from the Fund's own resources but, indirectly, from the major industrial countries, notably the U.S., West Germany and Japan. Consequently, the debt will effectively be repaid directly to them.

The rest of the UK's debts to the Fund mature between now and early 1983.

Apart from the $2bn prepayment to the Fund, the UK has also repaid this year before the due dates almost another $1.5bn, and debt totalling nearly $1bn has matured. But the $4.5bn of debt repayment has been partially offset by new borrowing of about $1.5bn.

This new debt generally has maturity dates in the late 1980s. Overseas debt repayment hump between 1979-84 has been reduced so far this year by about a fifth to $16bn.

Approval for 18 more local radio stations

BY MAURICE SAMUELSON

THE GOVERNMENT has approved the opening of 18 new radio stations, divided equally between the BBC and the Independent Broadcasting Authority.

Both authorities immediately welcomed the announcement. The IBA said that if the Home Office gave speedy clearance on frequencies, it would advertise the first two franchises by the end of this year.

The two new local commercial stations, one of which is likely to be in Cardiff, could then begin broadcasting in about 18 months. Other independent stations would be introduced in stages.

Mr. Aubrey Singer, managing director of BBC radio, will give further details today. However, the BBC said that the news emphasised the need to increase the broadcasting licence fee to £30 for the next three years.

Yesterday's announcement in a written Commons reply from Mr. Merlyn Rees, Home Secretary, said that the BBC would control stations in Barrow-in-Furness, Cambridge, Lincoln, Northampton, Norwich, Shrewsbury, Taunton, Truro and York.

The IBA would control stations in Bournemouth, Cardiff, Coventry, Gloucester and Peterborough, with possible joint stations for Aberdeen and Inverness; Chelmsford and Southend; Dundee and Perth; and Exeter and Torbay.

At present, the BBC runs 20 local stations, and there are 19 independents in 18 cities (London has two). The IBA says that in most of the areas where it operates, the independent stations have more listeners than the BBC.

The Home Secretary gave his approval after studying a special report from the Home Office working party on local radio. It calls for an immediate start on expanding local radio and envisages the new stations' going on the air by 1980.

Community

In each area in which an independent radio franchise is to be held, a public meeting will be called to decide who gets the contract. The BBC may also hold public meetings to discuss its new services.

The report says that available frequencies should be used efficiently to bring local radio to most of the country, and that account should be taken of community interest in planning the coverage areas of local stations.

High priority should be given to areas not served by any local station and to areas short of social amenities.

The expansion of local broadcasting follows a four-year standstill during which the BBC and IBA outlined their plans to the Annan Committee and the Government issued its White Paper.

The IBA still aims at the 60 independent local stations proposed in the early 1960s by Mr. Christopher Chataway, then Tory Minister for Posts and Telecommunications. BBC engineers have been working on plans for 45 stations throughout the country and the corporation says it wants to open about five stations a year.

None of the new local Scottish stations has been allotted to the BBC, which is concentrating on its plan for a Radio Scotland, to be opened next month on a new frequency separate from Radio 4. Its local stations in Scotland serve the Highlands, Aberdeen, and the Orkneys and Shetlands.

However, the BBC's Radio Scotland is expected to pose little threat to the two big commercial stations in Scotland, Radios Forth and Clyde, which have been taking listeners from the existing BBC services: Radios 1, 2 and 4.

An approximate national comparison of the coverage of BBC and IBA local radios was given in the Home Office report. It said that the BBC's 20 stations appeared to be providing a service to seven-tenths of the population of England; the IBA's 19 stations were serving some 45 per cent of the whole UK population.

According to the White Paper on broadcasting, local radio has so far reached about 70 per cent of the UK population.

Building material sales up again

By John Brennan, Property Correspondent

SALES OF building materials increased in August for the fifth successive month, according to a sales survey, published yesterday by the Builders Merchants' Federation.

Building material sales nationally have increased by 7 per cent in the 12 months since August 1977. But the federation's figures support Monday's report from the National Federation of Building Trades Employers, which showed a "lopsided" recovery in building activity.

Mr. Reg Williams, the merchants' federation director, says: "The earlier variances in the regional monthly figures seem less pronounced this month."

Even so, a 12-month comparison of sales shows a 4.4 per cent increase in London and the South-east against a 14.4 per cent increase in the North-west.

Sales in the Midlands were a third higher than in August last year, giving a year's average increase in sales of 11.3 per cent.

The other main growth area was in the South-west and South Wales with a year-on-year sales increase of 11.8 per cent. Comparative growth rates are shown as 1.8 per cent for Scotland and 3.2 per cent for the North-east.

BNOC chief expe few changes under Conservativ

BY KEVIN DONE, ENERGY CORRESPONDENT

A Conservative Government is unlikely to make great changes in the role of the British National Oil Corporation, said Lord Kearton, the chairman of BNOC, yesterday.

He told the Foreign Press Association that despite threats to the contrary by various Conservative Party spokesmen on energy: "My own feeling is that there would not be much change. The oil companies themselves and certainly the Civil Service would be quite sorry to see BNOC disappear."

The Corporation expected to have a number of oilfields in operation in the next few years, for which it would be both operator and developer.

Referring to Government plans to increase the rate of Petroleum Revenue Tax, Lord Kearton said the arrangements were still under discussion and could well be subject to some modification.

Mr. John Greenborough, president of the Confederation of British Industry and non-executive deputy chairman of Shell UK, made a plea last night for a stable North Sea tax regime.

Addressing the dinner of the European Offshore Petroleum Conference and Exhibition, he said: "It is obvious that for future offshore development to be as productive as possible, we must strive to reduce uncertainty to a minimum."

The development of the UK sector of the North Sea alone had cost about £9bn to date. Growing uncertainty affecting future investments might ultimately mean less oil production.

The Europec exhibition, which opened in London yesterday, is the largest show of offshore oil exploration and production equipment in Europe this year.

The exhibition organ for a total attendance 15,000. Nearly 100 papers are being pre a four-day conference junction with the exhi

One of the papers to the conference sai

LORD KEARTO
Threats discount

security system had bee for offshore installati could guarantee p against guerrilla at hostile actions by indivi

But according to Smart of Royal Dutch-S Mr. Philip Hodgson of Petroleum, the degree c tion available for offsh forms is greater than key Government, indus commercial targets ash

British Rail to borrow £36.9m

By Our Transport Correspondent

BRITISH RAIL will borrow £36.9m from the European Investment Bank to finance the construction of 32 high-speed diesel trains for the East Coast main line.

The bank, which is the long-term finance institution of the EEC, has made similar loans in the past.

It said its aim was to promote regional development through better communications and to encourage railways on energy conservation and transport policy grounds.

The loan has been granted at 9.9 per cent for a period of 15 years.

Sanctions report will b part of Rhodesia debat

BY RICHARD EVANS, LOBBY EDITOR

TO THE SURPRISE of MPs, the Commons is to debate the controversial findings of the Bingham Report on sanctions-breaking as part of a two-day debate on Rhodesia during consideration of the Queen's Speech.

The move, which represents an intriguing change of tactics by the Government, will bring protests from backbenchers because of the danger that the impact of the Bingham findings will be diluted by general discussion of current events and future prospects in Rhodesia.

Following grave disquiet among MPs at the Bingham allegations of sanctions-breaking by BP and Shell, and acc of collusion against politicians and senior c vants, a two-day deba promised specifically Bingham findings.

There will now be acc that the Bingham inq being swept under the ca both the Government Opposition leaders throu agreed change in tactic.

It will certainly be muc difficult for Labour MPs against the Government debate on the Queen's which will be from Novem than it would be after the of the Queen's Speech ha successfully cleared.

New range of Mazda cars to be sold in UK

BY PAUL TAYLOR

TOYO KOGYO, Japan's third largest carmaker, is to market a new range of cars under the Mazda badge. The company hopes they will challenge the Ford Cortina and Vauxhall Cavalier ranges at the top end of the UK medium-sized car market.

The new three-model Montrose range was announced simultaneously by the company from the International Motor Show, near Birmingham, and from its headquarters in Hiroshima, Japan. They are expected to go on sale in Britain at the end of March. Toyo Kogyo believes the new range—two versions of a 1600 saloon, a 2000 saloon and a 2000 coupe—will eventually account for 50 per cent of the company's UK sales.

The cars have four-cylinder engines with chain driven overhead camshafts and will complement the company's existing Hatchback range.

Dishonest car dealers net £10m from clock frauds

FINANCIAL TIMES REPORTER

DISHONEST dealers who turn the clock back on car mileage are committing frauds that net them at least £10m a year, Mr. Gordon Borrie, director-general of Fair Trading, claimed last night.

Such action could put between £100 and £1,000 on the price of a used car, he claimed.

In the past three years prosecutions for clock or odometer frauds trebled to 470, but an Office of Fair Trading survey this year shows that this is only the tip of the iceberg.

Speaking at the annual dinner of the Motor Agents' Assoication, he said:

"There is wholesale clocking—turning back the mileage reading.

"Manufacturers and dealers will know that last year more than half of all new cars were sold for company and fleet hire and these vehicles are resold to the trade after one or two years, often with high mileage readings."

Checks

A survey launched in February by Trading Standards officers, in co-operation with the original buyers of new cars, has been checking the mileage of vehicles when they are sold to the used-car trade.

Checks with eventual purchasers have shown that of 1,614 vehicles 874 had been "clocked," Mr. Borrie said.

A motorist this year sold a 1975 Escort 1100 to the motor trade for £600 with 57,000 miles on the odometer. It was resold for £1,500 with 28,000 miles on the "clock."

Mr. Borrie admitted that because enforcement officers had concentrated on the known problem areas, including Surrey, Croydon, Greater Manchester and Bristol, the national average would be somewhat lower than the 50 per cent shown in the survey.

He said he was confident members would ensure that dishonest dealers were not permitted to join, or retain membership of, their association.

Mr. Gordon Borrie—"wholesale turning back of mileage readings"

An association official said that beyond the normal vetting procedure for members it was difficult to expose a dishonest dealer unless court action had already been taken.

Once he is a member and discovered to be unscrupulous "we take strict disciplinary action. Very few of our 18,000 members have been prosecuted, and I would suggest that any prospective buyer went to a Motor Agents' Association member."

Mr. Borrie told association members that many of them failed to take advantage of a valuable selling point by not advertising widely enough their association membership and their support for the industry's Code of Practice.

Code

An OFT survey of the Code of Practice showed that consumers dealing with assoication members were 11 times less likely to have cause for serious complaint or inconvenience than those dealing with non-members.

● Sir Barrie Heath, president of the Society of Motor Manufacturers and Traders, said the industry was still a growth area, and added that signs of improved managament/labour relations in British Leyland were to be welcomed. In reply Mr. J. W. D. Campbell, president of the Motor Agents' Association, said he was encouraged by signs of recognition within Government and the industry of the "vital need for this country to re-establish the strength of its motor industry."

Hird-Brown

On October 5 we published the National Enterprise Board's portfolio which showed Hird-Brown as being owned 100 per cent by the NEB. In fact the NEB owns 100 per cent of the cumulative redeemable preference shares, and W. Canning holds all the equity capital.

Scots fair open

THE EIGHTH annual Highland Trade Fair opened in Aviemore yesterday. It has 180 exhibitors and the Highlands and Islands Development Board, which organises the fair, expects about 2,500 buyers.

London bus services 5% less than planned

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

LONDON TRANSPORT'S buses are operating at more than 5 per cent below planned service levels because of problems with staff recruitment, vehicle maintenance and traffic congestion.

In its third quarter monitoring report to the Greater London Coucil, London Transport says that 10m bus miles will be lost in 1978 through these causes. Of these, 9m relate to driver shortages and mechanical problems.

By the end of the year, London Transport still expects to be short of 500 drivers, in spite of a partially successful recruitment drive earlier this year.

The report forecasts an overall deficit of £2.6m for 1978, which will be covered by a transfer from London Transport's general reserve. This is £6.4m better than the transport executive had budgeted for, but most of the financial gains have come through the forced reduction of service levels.

Meanwhile, London Transport has responded to the GLC's demand for a programme of cost reductions amounting to more than £18m in the next five years.

In a report to the council, London Transport argues that pressures for reduction in spending have "endangered the future by reducing maintenance of assets and training of skilled staff."

Dr. Gordon Taylor, chairman of the council's transport committee, denied that the £18m savings would involve cutting maintenance or training. The cash could be saved by the introduction of more modern systems, automatic fare collection, ticket standardisation and more one-man operation.

Scheme 'raised pit productivity'

FINANCIAL TIMES REPORTER

CLAIMS THAT the coal industry's pit incentive scheme had brought substantial increases in productivity were made yesterday by Mr. Alex Eadie, Parliamentary Under-Secretary for Energy.

Mr. Eadie, answering a Parliamentary question by Mr. James Dempsey (Lab Coatbridge and Airdrie) said productivity at the coalface was 9.8 per cent higher, and overall productivity 2.3 per cent higher, in the first 27 weeks of the current financial year than in the same period last year.

In the last three months face productivity was 10.8 per cent up on the same period last year, and overall productivity 4.2 per cent higher.

"These figures do not reflect the full improvement, because last year the trend was downward, and this has now been reversed," Mr. Eadie said. "The National Coal Board's incentive scheme appears to have overcome some earlier problems, and to have settled down into solid achievment."

The main reason for the increase in productivity is that there are 5,600 fewer miners and seven fewer pits this year than last. The figures for coal production in the first 27 weeks of this financial year are slightly down on the same period last year.

The National Coal Board says 50.7m tonnes have been produced in the period this year while last year the figure was 51.1m tonnes.

● Mr. Eadie said he had given the Coal Board permission for opencast mining at the Park Slip Extension site near Cefn Cribwr, mid-Glamorgan. The decision follows strong protests on environmental grounds from people in the area, which led to a public inquiry in May.

Objectors said that increased noise and dust would spoil amenities, and that heavy traffic on narrow roads round the site would present a danger.

Mr. Eadie has therefore decided to impose certain planning conditions on operations at the site, inclu restriction on hours of w The Park Slip Extension s tains 1.75m tonnes of co

More than half is good coking coal, and the ren suitable for blending for station use.

£1m boost to micro schemes

BY JOHN HUNT

FINANCIAL ASSISTANCE worth about £1m has been approved for ten schemes under the new Government programme to encourage British companies to enter the micro-processing field.

Announcing this in a written Commons answer last night Mr. Bob Cryer, Under-Secretary for Industry, said the total value of the project was in the region of £3m.

Consideration was now being given to 80 formal applications under the three-month-old scheme known as micro-processor applications project.

MPs kept waiting

BY JOHN HUNT

THE HOUSE OF LORDS came in for criticism yesterday for keeping MPs waiting in the Chamber of the Commons during the ceremony for proroguing the old session of Parliament. The new session opens with the Queen's Speech next Wednesday.

For 10 minutes MPs sat on the benches waiting for Black Rod to summon them to the Lords, for the Lord Chancellor to re Queen's commission pror the session.

This drew a protest fro Michael English (Lab., N ham West), suggesting tha fill in the time by starting tions to Ministers.

But Mr. George Thoma Speaker, rejected the ide told him "hostilities begi week."

The Queen's opening of Liverpool Cathedral

An epic in the gothic style

WHEN THE QUEEN formally opens Liverpool Cathedral today she will be setting the seal on a project which spans five reigns and almost 100 years.

Queen Victoria herself still had some 16 years left on the throne when the first Act of Parliament authorising the Cathedral's construction was passed in 1885. But it fell to her son, Edward VII, to lay the foundation stone in 1904 after a young architect—Giles Gilbert Scott, then aged 22—had won the competition for the design. The first major section—the Lady Chapel—was completed in 1910 and in 1924, in the presence of George V, the partially-completed cathedral was consecrated.

A visit by George VI in 1940, after air raids severely damaged parts of the building in the darkest days of the war, provided the encouragement needed to carry on with the still mammoth task. Now, 38 years later, the last portions of the building to be erected—the third bay of the nave and the great west front—are passing from the builders to the dean and chapter.

Their inheritance is one of the largest churches in Christendom, the only cathedral to be built in the Anglican church's northern province since the Reformation, and certainly the last in the gothic style ever likely to be built. Since construction was started it is estimated to have cost at least £5.5m, most of the cost being incurred since World War II. Upkeep of the building, which ranks Sir John Betjeman and Lord Clark among its admirers, is furthermore likely to be a permanent headache for the Church of England authorities.

The large scale of the building arises out of the prosperous period in Liverpool's fortunes during which it was conceived.

Liverpool's growth as a city had led in 1880 to its separation from the ancient diocese of Chester and the need to create a suitable new cathedral. Determined that only the best would do, the new diocese chose a splendid site — St. James' Mount, a rocky outcrop on high ground a mile south of the city centre.

Since building began, the work of translating Scott's ideas, and the city's ambitions, has fallen on a lay committee comprising prominent local individuals which during its history has had to contend with almost every conceivable problem from strikes and theft to war, inflation and drastic changes in the architectural plans. The architect, who was also responsible for the post-war rebuilding of the House of Commons, had won the original competition with a design incorporating a single transept with twin towers. In 1910 the then building committee was asked to agree instead to the present design, which has a great central tower with transepts to east and west and a nave in the west to balance the choir in the east.

The building committee—set up originally because it was felt clergymen lacked the expertise to handle a project of this size—has from the start also been responsible for raising funds and for coping with the problem of 100 years of inflation. The first estimate for the entire building was £350,000, but immediately after the 1939-45 war the first bay in the nave cost as much. The second bay consumed £700,000 and the final bay, including the front, is expected to cost well over £1m.

Yet the project has never run into debt, though building has sometimes been slowed down to allow time for funds to come in. The committee has also very largely eschewed the use of professional fund-raisers, preferring to rely on a system of special appeals every 10 years or so to back up the continuous appeal to visitors and others for help.

The project has been so large, however, that the contribution which the man in the street could make from his pocket has been small. A big part of the funds has come from major donations from wealthy individuals. The central tower — the Vestey tower — was paid for between the wars by a donation of £350,000 from the Vestey family. The committee was obliged to go back to the same source for further help more recently.

In 1967, the committee decided to modify the west front plans of Scott, who by this time had been succeeded by one of his colleagues, Mr. Fred Thomas. Instead of the elaborate *porte cochere* which was added by Scott to his original design in 1942, and which was likely to cost in the 1970's a further £1m, the committee chose a simpler design incorporating, like the east front, a high arch enclosing a great window.

It is this which has now been all but completed, though again not without delays. The poor weather and in particular the high winds of the past two years have curtailed outside work high up on the front more than 130 feet above ground. The cathedral, which has in recent years offered the only facilities i nthe North for training stone masons, has also seen some drifting away of its labour force as the date of completion approaches. Total employment on the site has been around 60 of which half are skilled masons and other craftsmen. There have also been geological problems at the cathedral's own stone quarry at Woolton, its main source of supply.

These problems are now largely behind the committee (though a small part of the cathedral, the arch supporting the west front doors, will remain to be finished after today).

When the site was first chosen it stood in the middle of elegant Georgian and early Victorian terraces. But very little of the area retains its former splendour. The view downhill from the cathedral is now one of classic inner city dereliction — a mixture of cleared land, tumbledown old property and uninspired new.

Not surprisingly, the Dean of Liverpool, the Very Rev. Edward Patey, believes the cathedral's size and its location can be turned to advantage. "Its tremendous size gives it great flexibility and makes it much easier than would be the case with a modern building to use the church, as in the Middle Ages, as a centre where numerous different activities can take place simultaneously."

Alan Dark
The Very Rev. Edward Pa Dean of Liverpool, inside Cathedral

The cathedral's work in the neighbourhood is not expected to duplicate that of the parish churches. Its size, according to the dean, has a role to play in cutting man down to size and producing a suitably awe-inspiring effect. But just because of this it is felt that the average Anglican worshipper will prefer to continue his worship in more intimate surroundings.

For this reason the cathedral authorities have not developed the ancillary activities normally associated with a parish such as Sunday schools or Mothers' Union. The main use of the cathedral is for important diocesan occasions, and, particularly during the week, for the many civic and county functions of an area as large as Merseyside.

The cathedral's largely diocesan role is not meant, h ever, to preclude its clergy f involvement in the neighb hood. Indeed, it has already vided room for local play gro and for two other denominat —Quakers and the Church Scotland, both of which w having temporary accommo tion problems.

Rhys Da

The end of a great era...

Today, October 25th 1978, Her Majesty Queen Elizabeth II is in Liverpool to attend a Service of Thanksgiving and Dedication at the 'last and greatest' of the Gothic Anglican Cathedrals.

The awe inspiring magnificence of the Cathedral, which has taken over 70 years to complete, is a tribute to the vision and determination of the people of Merseyside.

the beginning of another.

At the turn of the century when the foundations of the Cathedral were being laid, Liverpool was the UK's largest export port and by far our largest Atlantic trading port.

Today—over 70 years on—it still is!

Liverpool, and the whole of Merseyside, still play a major and unique role in our country's economic wellbeing.

Over 40 American Companies now have a UK manufacturing base on Merseyside.

It is the centre of the world's glass technology.

Liverpool is the UK's largest and most important insurance centre outside London.

Merseyside is changing dramatically, entering a new and exciting era in its proud history.

Find out the full facts on Merseyside for yourself, Contact Jack Stopforth, MERCEDO (Merseyside County Economic Development Office), Metropolitan House, Old Hall Street, Liverpool L69 3EL. Telephone 051-227 5234. London office: 01-405 0488

Merseyside County Council

COMPANY NOTICES

LEGAL NOTICES

ART GALLERIES

BUSINESS AND INVESTMENT OPPORTUNITIES

CLUBS

EDUCATIONAL

EXHIBITIONS

RESIDENTIAL PROPERTY

HOTELS

PUBLIC NOTICES

LABOUR NEWS

Shipyard plan examined

BRITISH Shipbuilders yesterday opened talks with trade union representatives on its corporate plan, which could involve a 30 per cent reduction in the merchant shipping workforce over the next two years.

Details of the corporation's plan, together with the results of a union-management working party which has been trying to sort out complex shipyard pay structure and fix a settlement date, will be put to a recalled delegate conference of the Confederation of Shipbuilding and Engineering Union early next month.

Industry crisis

The three-hour talks yesterday centred on the crisis facing the industry. Union leaders have predicted there will be no work in the shipyard by this time next year, and have called for a meeting with Mr. Eric Varley, Secretary of State for Industry, to discuss the Government's intentions for the industry.

The redundancies proposed in different options in the plan for the 40,000 workers were not directly discussed yesterday, but Mr. Jim Murray, acting chairman of the confederation's shipbuilding negotiating committee, said that the trade union side had not moved from its position of opposing compulsory redundancies.

Redundancies

He disagreed with the redundancy options, saying: "I do not necessarily see that lay-offs will be part of the corporate plan. We are trying to look optimistically on the whole pattern of the industry and we are ever hopeful that we can resolve it."

Resumed talks today are expected to focus on improvements to the fragmented wage bargaining system, including national guidelines for local bargaining and the common settlement date.

The corporation is expected to announce next month that it made losses of almost £100m in its first nine months of trading.

Wardens step up action

LONDON'S traffic wardens, who will step up their pay protest action this week, have decided to refer their pay claim to the Advisory, Conciliation and Arbitration Service.

So far, drivers have enjoyed a parkers' paradise as wardens banned overtime, refused to reset meters and, last week, decided not to issue parking tickets.

But from tomorrow the wardens will stop all traffic control.

Mr. Les Moody, general secretary of the Civil Service Union, which represents the wardens said: "Either the police must bring more m n [illegible] the beat or motorists will have to fend for themselves."

He sa[illegible] the wardens, who began their protest at the beginning of the month, had decided to refer the issue to the Advisory, Conciliation and Arbitration Service.

Print merger ballot approved

THE HIGH Court yesterday opened the way to a merger ballot of two print unions, the process workers' union, SLADE, and the National Graphical Association. SLADE obtained a declaration that the ballot, which is to begin on Friday, could lawfully be held.

The hearing was the result of a dispute between SLADE and its art union division, SAU. Earlier this year, the SAU obtained an injunction that SLADE should not change the art union's rules, hold art union branch meetings or increase members' benefits without majority support of the art union.

The SAU agreed yesterday that if the amalgamation ballot went ahead it would not attempt to commit SLADE for contempt of court under the terms of the January order. In exchange, SLADE agreed that the ballot should include all members of the art union.

The declaration is without prejudice to SAU's right to challenge the ballot while it lasts. The SAU is eager to challenge it, but is still collecting evidence and raising money. It estimates that £290,000 may be needed.

Concessions by SLADE are that the proposed rules of the new amalgamated union should include the original SAU constitution and that all members of SAU, including those in arrears, should be balloted.

SAU, which has about 9,500 of the total 25,000 SLADE membership, would still like the ballot "renegotiated" in terms suitable to SAU and with SAU participation. Its case has been weakened, however, by the concessions granted by SLADE and the NGA in proposing amalgamation, including a proposal to meet some SAU demands in the new rules.

SAU members have written to the Prime Minister for support and are hoping for backing from the Liberals, the Scottish Nationalists, Plaid Cymru and Ulster Unionists in their demand for an inquiry into SLADE affairs.

Mr. James Prior, shadow employment secretary, has already backed them.

Fleet Street wage claim challenge to guidelines

BY PAULINE CLARK, LABOUR STAFF

FLEET STREET'S 33,000 printers and related workers have tabled a pay claim which employers estimate could total as much as 45 per cent. This comes as the latest challenge to the Government's 5 per cent pay guidelines by a powerful industrial group.

The demand, being looked at for the first time yesterday by the industrial relations executive of the Newspaper Publishers' Association, includes a claim for a 15 per cent earnings rise. But the print unions are also asking for a range of improvements, especially in overtime rates, consolidation of pay supplements, and longer holidays.

The exact cost of the package, if met in full, will not be known until union leaders and management representatives meet within the next two weeks to discuss details of the claim.

All of the leading print unions are involved in the negotiations which will also press for separate bargaining for clerical workers in the industry. The union side consists of the National Graphical Association, the Society of Graphical and Allied Trades, the National Society of Operative Printers, Graphical and Media Personnel, Society of Lithographic Artists, Designers, Engravers and Process Workers and the electricians' and engineers' unions.

Last year, the unions submitted a 15 per cent claim, but eventually settled within the 10 per cent pay guidelines. Many chapels (union branches) negotiated in-house productivity deals on top of the national agreement.

The full cost of the claim at that time was estimated by employers at 35 per cent. The NPA resisted the claim outside the Government's 10 per cent pay guidelines partly because of the fear of Government sanctions, including possible withdrawal of Government sponsored advertising, and imposition of VAT on newspapers.

Rebel members of the National Society of Operative Printers, Graphical and Media Personnel working for one of Fleet Street's leading ink suppliers, have been instructed to appear before a branch committee meeting today, following their defiance of the union in refusing to call off a nearly two-week-old strike.

About 100 members of the NATSOPA chapel at the Usher Walker ink factory in the East End, have been summoned to the meeting but the indications were yesterday that leaders of the revolt were resisting the instruction. If they refuse to turn up, the union may have to consider other disciplinary measures.

The dispute at the factory, over pay and redundancy proposals, is threatening ink supplies to all national newspapers in Fleet Street. Usher Walker supplies about a third of Fleet Street's ink and members of its chapel began picketing this week to prevent extra supplies being brought in from elsewhere.

On Monday, pickets claimed to have stopped 19 tonnes of ink being delivered to the Sun. They said they would continue the action for the rest of the week.

Chapel leaders are demanding full pay for a period, early in the dispute, when they refused to work. The union, which has refused to make the strike official, has denied that the company's management has breached procedure in initiating talks on redundancy proposals.

The British Printing Industries Federation will today ask its 3,000 members to contribute to a special fund to help members whose new machinery is being blacked by printers.

Seamen reject 5% pay offer

BY NICK GARNETT, LABOUR STAFF

SHIPOWNERS WERE put in a difficult position yesterday when the National Union of Seamen rejected a wage offer at or close to the limit of the 5 per cent guideline.

The General Council of British Shipping said the offer was worth about 5.6 per cent, made up of 5 per cent on basic rates. The rest of the offer reflected an increase in the food allowance during periods of leave.

Shipowners say the Government accepts that this food allowance, currently £1.50 a day, falls outside the boundaries of pay policy. The total offer would add 5.9 per cent to the industry's wages and allowances bill for the 44,000 seamen.

A further meeting between the council and the union is being arranged, but the council said after yesterday's negotiations that it faced a very difficult problem.

The council maintained that it was constrained by both the industry's ability to pay and the Phase Four incomes policy.

It will now be discussing with its member-companies what further increase can be offered within the limits of the 5 per cent.

The NUS, however, which tabled a claim for substantial rises in basic pay, more leave and higher overtime rates, is apparently seeking a much greater improvement in the offer than could be achieved within the 5 per cent limit.

The union, which is due to settle in January, said the offer was unacceptable and its rejection was very firm. Mr. Jim Slater, the general secretary, reaffirmed that the NUS was adopting responsible free collective bargaining.

Present minimum basic pay for seamen is £41.71, and for fully qualified able seamen £47.72, including pay policy supplements. Current average earnings for foreign-going able seamen throughout the year is about £82. During periods at sea it is £97.40.

Under the offer his average earnings would rise by £5.31 to £102.71. For able seamen as a whole, the offer would add £2.50 to the basic rate. Overtime rates would be raised by 7.5p an hour.

There is nothing in the offer on higher premium overtime or leave arrangements.

The general council, which said the seamen had shown great understanding of the industry's financial difficulties, has always maintained that it is vulnerable to Government sanctions.

Areas in which the Government could impose sanctions include the moratorium scheme on loan repayments for shipowners who have ships built in British yards and the considerable support given to the council by the Government in matters of international shipping problems.

No peace yet for hospitals

BY PAULINE CLARK

MANAGEMENT and unions in the hospitals dispute adjourned talks for the second night running yesterday with no end in sight to the five-week action by 3,500 hospital works officers.

Both sides agreed to meet today, again under the umbrella of the Advisory Conciliation and Arbitration Service.

Mr. Allan Black, secretary of the staff side, said that some progress was made on minor issues but none on major ones, as the union's demand for a guaranteed minimum 15 per cent bonus agreement.

About 9,000 beds are said to have been made empty by the dispute, and the patients' waiting list to have lengthened by 30,000.

Computer blacking threat

By Our Labour Editor

CLERKS AND managers in British Aerospace may soon be asked to black work from the State Corporation's head computer office.

The Association of Professional, Executive, Clerical and Computer Staff (APEX) is campaigning for recognition by the management of 40 members at the Chester computer centre. Mr. Roy Grantham, general secretary, has written to alert the 10,000 other members that APEX says it has at British Aerospace.

According to the union other staff unions at Chester have dropped their opposition to recognition for APEX, but the corporation has refused at national and local level to grant it.

The 40 have been "working to contract" since the beginning of the month, APEX said. Mr. Grantham said that general blacking by APEX members would have "drastic effects on key British Aerospace projects."

Toolmen's body snubs SU strikers

THE 32 toolmakers from SU Fuel Systems, whose strike over pay differentials is in its 12th week, have again failed to get support from Mr. Roy Fraser's unofficial toolmakers' organisation, which says it represents 3,000 workers within BL.

They were told at a meeting of the negotiating committee in Birmingham yesterday that the company had never promised to bring forward pay parity before November, 1979, although differentials were a key factor in joint negotiating committee discussions. Those continue on Friday.

The 32 will again seek support from the wider but still unofficial

duly in 12/78

هكذا من الأصل

A copy of this Prospectus, having attached thereto the documents specified in paragraph E of the Appendix below, has been delivered to the Registrar of Companies in England and Wales for registration.

This document contains particulars of TSB Gilt Fund Limited ("the Fund") for the purpose of giving information to the public. The Participating Shares of the Fund are offered on the basis of the information and representations contained in the document and any further information given or representations made by any person must be regarded as unauthorised.

The consent of the Finance and Economics Committee of the States of Jersey under the Control of Borrowing (Jersey) Order 1958 (as amended) has been obtained to the issue of shares. The consent of the Advisory & Finance Committee of the States of Guernsey (under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 and 1970) has been obtained to the raising in Guernsey of up to £10,000,000 by the issue of shares. It must be distinctly understood that in giving these consents, neither of the Committees takes any responsibility for the financial soundness of any schemes or for the correctness of any statements made or opinions expressed with regard to them. Consent of the U.K. Treasury under the Control of Borrowing Order 1958 (Great Britain) has also been given to the borrowing of up to £50 million by this issue.

This document is based on the law and practice currently in force in Jersey and the United Kingdom and is subject to changes therein.

In this document all references to "sterling" and "£" are to United Kingdom sterling.

TSB GILT FUND LIMITED

A company incorporated with limited liability in Jersey on 6th October, 1978 under the provisions of the Companies (Jersey) Laws 1861 to 1968.

Registered Office: 23 New Street, St. Helier, Jersey, Channel Islands.

SHARE CAPITAL

Authorised

£500,000 divided into 1,000 Management shares of £1 each and 49,900,000 unclassified shares of 1p each.

Issued

£1,000 (1,000 Management shares of £1 each fully paid).

Initial issue of up to 49,900,000 Participating Redeemable Preference shares of one penny each ("Participating Shares") at £1 per share (inclusive of premium of 97½p per share and the Managers' initial charge of 1½p per share).

Directors

REGINALD ROBERT JEUNE, Langley House, St. Saviour, Jersey.
(Solicitor of the Royal Court of Jersey)

PHILIP FRANCIS KEENS, C.B.E., F.C.A., 15 Links Court, Grouville, Jersey.
(Chartered Accountant)

DENNIS GLOVER CREASEY
Brackendale, Fermain, St. Peter Port, Guernsey, C.I.
(Managing Director of Department Store)

RONALD ANTHONY DE PUTRON, F.C.A.
Le Sapin, Calais Lane, St. Martin's, Guernsey, C.I.
(Chartered Accountant)

ANTHONY PERCIVAL WARWICK SIMON, T.D., F.C.A.
3 Wells Rise, London, NW8 7LH.
(Chartered Accountant)

BRIAN MICHAEL JOHN BROWN, F.I.B.
Widdrington, 14 Barlows Lane, Andover, Hants.
(General Manager, TSB Trust Company Limited)

Managers, Secretary and Registrar

TSB GILT FUND MANAGERS (CHANNEL ISLANDS) LIMITED
Bagatelle Road, Five Oaks, St. Saviour, Jersey, Channel Islands.
Telephone: Jersey (0534) 73494.

Administrator

BARCLAYTRUST INTERNATIONAL LIMITED
P.O. Box 82, 39/41 Broad Street, St. Helier, Jersey, Channel Islands.

Bankers

TRUSTEE SAVINGS BANK OF THE CHANNEL ISLANDS
BARCLAYS BANK LIMITED

Auditors

TURQUANDS BARTON MAYHEW & CO.
Le Gallais Chambers, St. Helier, Jersey, Channel Islands.

Advocates and Solicitors to the Fund in Jersey

MOURANT, DU FEU & JEUNE
16 Hill Street, St. Helier, Jersey, Channel Islands.

Solicitors to the Fund in England

BISCHOFF & CO.
City Wall House, 79/83 Chiswell Street, London, EC1Y 4TA.

Investment Advisers

CENTRAL TRUSTEE SAVINGS BANK LIMITED
P.O. Box 99, 3 Gracechurch Street, London, EC3P 3BX.

Issue of Participating Shares

The subscription list will be opened at 10.00 a.m. on Wednesday, 8th November, 1978 and will be closed on the same day.

Establishment of the Fund

The Fund has been promoted and established by the Managers, a wholly-owned subsidiary of TSB Trust Company Limited, itself a wholly-owned subsidiary of the Trustee Savings Banks Central Board, which is the central supervisory and regulatory body for the Trustee Savings Banks. Thus the Managers and its parent company and, as a result of the holding by the Managers of the Management Shares, the Fund are each of them subsidiaries of the Trustee Savings Banks Central Board for the purposes of Section 154 of the Companies Act 1948 (Great Britain). It is expected, however, that the Fund will cease to be such a subsidiary when the Participating Shares have been allotted and issued. The Investment Advisers are also a wholly-owned subsidiary of the Trustee Savings Banks Central Board.

Eligible Investors

The Fund has been formed specifically for investment by persons who are non-resident in Jersey for the purposes of Jersey taxation. (A separate fund, TSB Gilt Fund (Jersey) Limited, has been formed for investment exclusively by persons resident in Jersey. A prospectus for TSB Gilt Fund (Jersey) Limited will be sent by the Managers upon request.)

Procedure for Subscription

Applications must be made for a minimum of 500 Participating Shares and should be made on the Application Form included with this Prospectus. The Application Form duly completed should be sent to TSB Gilt Fund Managers (Channel Islands) Limited, Bagatelle Road, Five Oaks, St. Saviour, Jersey accompanied by a sterling cheque or banker's draft for £1 per share made payable to TSB Gilt Fund Managers (Channel Islands) Limited.

The Fund reserves the right to reject an application in whole or in part in which event the application monies or any balance thereof will be returned to the applicant by post at the applicant's risk. Applications will not be acknowledged, but certificates for Participating Shares allotted will be posted at the applicant's risk not later than the 15th December, 1978.

Objectives

The purpose of the Fund is to provide an opportunity for those investors who require a high level of income to take advantage of the benefits of a well-managed portfolio. The positive and experienced management of the Fund should not only provide a high level of income which will be payable quarterly but also security and a measure of capital protection arising out of the underlying investments. The Fund is open-ended and operates in a similar way to a unit trust in that it may issue and redeem Participating Shares at prices based on their underlying net asset value.

The Investments of the Fund will be managed by TSB Gilt Fund Managers (Channel Islands) Limited ("the Managers") who will receive investment advice from Central Trustee Savings Bank Limited. The main area of investment will be those British Government Securities in respect of which persons or companies ordinarily resident outside the UK may claim exemption from UK tax as described in more detail below. To achieve the above objectives, the Managers will need to adopt a flexible investment policy by investing in varying proportions in long, medium and short-dated stocks, depending on prevailing economic conditions. Where these suggest that such a course would be beneficial the assets of the Fund may include short-term sterling securities, such as Treasury Bills or Certificates of Deposit or, in appropriate circumstances, cash on deposit. Also, from time to time non-exempt British Government Securities may be purchased.

Dividend Policy

The Directors intend to distribute substantially the whole of the income of the Fund, after deduction of all expenses and Jersey Corporation Tax, by way of quarterly dividends paid on the 15th May, August, November and February in each year. On the basis of the current interest rate structure and yields obtainable on British Government Securities, it is expected that the initial dividend yield will be in the region of 12 per cent per annum. The first dividend will be paid on the 15th May, 1979.

Investment Management

The Managers are responsible for managing the Investments of the Fund under an agreement dated 11th October, 1978 made between the Fund and the Managers. The Investment Advisers will provide the Fund and the Managers with regular and continuing advice on the investment and general deployment of the Fund's assets. For providing this service they are paid a fee by the Managers.

The Investment Advisers have considerable experience of gilt-edged portfolios, are in close touch with all money markets and are well placed to act quickly when interest rates change.

Administrator

Barclaytrust International Limited have been appointed by the Managers under an agreement dated 11th October, 1978 to act as Administrator and will therefore be responsible for the day-to-day administration of the Fund.

Charges and Fees

Initial Charge: The Managers are to receive 1½p per Participating Share issued pursuant to this offer. The Articles of Association provide that the Managers may receive an initial charge not exceeding 2½ per cent of the price at which Participating Shares are subsequently issued. The present intention as provided for in the Management Agreement is that the Managers receive 1½ per cent. The Managers are also entitled to receive the rounding up and rounding down adjustments to the nearest 1p.

Annual Charge: The Management Agreement provides for the Managers to receive from the Fund a weekly fee equal to one fifty second of five-eighths of one per cent of the weekly value of the Fund (calculated on an offer basis). Out of these charges the Managers will pay commissions to brokers and other approved agents of one per cent in respect of allotments arising from applications bearing their stamp. The Managers will also pay the fees of the Administrators and of the Investment Advisers.

The Fund will bear (*inter alia*) the fees and expenses of the Auditors (and of the Custodian, if any) and commissions and duties in connection with securities acquired and disposed of by the Fund, etc. (as stated in the Management Agreement).

Accounts and Reports

It is intended to send audited accounts and reports relating to the Fund half yearly to Shareholders.

The weekly bid and offer prices for the Participating Shares will be published each day in the Offshore and Overseas Funds Section of the London "Financial Times."

Taxation

The Comptroller of Income Tax in Jersey has confirmed that income of the Fund arising outside Jersey and bank interest arising in Jersey will be exempt from Jersey Income Tax. The Fund's liability to Jersey taxation is therefore limited to Corporation Tax, which is currently £300 per annum, and its dividends payable to non-Jersey residents will be paid without any deduction of tax in Jersey.

Jersey does not levy taxes upon capital, inheritances, capital gains, gifts, sales or turnover, nor are there estate duties. No Stamp Duty is levied in Jersey on the tranfer *inter vivos* or redemption of shares in the Fund.

The Fund is not resident in the United Kingdom. The Inspector of Foreign Dividends in the United Kingdom has confirmed that the Fund will in principle be eligible to submit claims to relief from United Kingdom Income Tax in respect of interest derived from United Kingdom Government Securities which fall within Section 99 of the Income & Corporation Taxes Act, 1970.

Holders of Participating Shares who are resident for tax purposes in the United Kingdom are, depending on their circumstances, liable to pay United Kingdom Income Tax (and where relevant Investment Income surcharge) in respect of the dividends paid by the Fund. Corporate shareholders are liable to United Kingdom Corporation Tax. In addition, shareholders resident in the United Kingdom may be liable to Capital Gains Tax in respect of gains realised on disposal (or redemption) of Participating Shares. Applicants who are ordinarily resident in the United Kingdom should also be aware that Section 478 of the Income and Corporation Taxes Act 1970 may be applicable to them.

While the above references to taxation are believed to be correct at the present time, investors are advised to seek professional advice on their taxation position, and, if resident outside the Scheduled Territories, on their Exchange Control position.

Redemption of Participating Shares

Participating Shares may, except where there is a suspension of the valuation of assets (see "Subscription Days" below), be redeemed on any Subscription Day. The redemption price is defined in the Articles of Association; a summary of the calculation is given below. Although the Fund is under an obligation, subject to the provisions of the Articles of Association and of Jersey law, to redeem at the redemption price it has been agreed with the Managers that they may deal with requests for redemption as principals, and they will generally do so by purchasing Participating Shares at the bid price, which will not be less than the redemption price at the relevant time, rounded down to the nearest one penny. The Managers will be free, subject to the Articles of Association and to Jersey law, to require the company to redeem any Participating Shares purchased by the Managers.

To realise all or part of a holding, a shareholder should complete the form on the back of each Share Certificate and send the Certificate to the Managers. The completed forms should be received not later than 3.30 p.m. on the business day immediately preceding the relevant Subscription Day in order to qualify for redemption or purchase by the Managers on the Subscription Day. Requests for redemption received late may be held over until the next Subscription Day.

Any amount payable to a shareholder in connection with requests for redemption will be paid by sterling cheque and will be posted to the shareholder (at his risk) normally not later than seven days following the later of the date on which the redemption (or purchase) takes effect and the date of receipt by the Managers of a duly endorsed Certificate for the shares to be redeemed or purchased.

The Directors of the Fund may refuse to redeem any Participating Shares if as a result of such redemption an investor would still hold Participating Shares in the Fund of a value (on a bid basis) of less than £500 (or such other sum as the Directors may from time to time determine). The Fund is also not bound to redeem on any one Subscription Day more than one-fifth of the total number of Participating Shares then in issue.

Requests for redemption once made may only be withdrawn in the event of a suspension of valuation.

Compulsory Redemption

If any time after 30th September, 1979 the value of the Fund's net assets shall, on each Subscription Day within a period of five consecutive weeks, be less than £5 million the Fund may redeem all the Participating Shares then in issue at the relevant redemption price.

All Participating Shares not previously redeemed will be redeemed by the Fund on 30th September, 2078, or if that date is not a business day on the next following business day, at the redemption price ruling on the day in question.

The Directors are empowered under the Articles of Association to require the transfer or redemption of any Participating Share which is owned directly or beneficially by any person in breach of any law or requirement of any country or government authority or by virtue of which such person is not qualified to hold such Share.

Subscription Days

Subscription Days will normally be every Wednesday, or if this day is not a business day the next following business day, or such other day as may from time to time be determined by the Directors. The first Subscription Day after the initial issue will be 15th November and the assets of the Fund will normally be valued by reference to closing prices on the business day immediately preceding each Subscription Day. However, the Directors may suspend valuation if, in their opinion, it is not reasonably practicable for the Fund to dispose of investments or fairly to determine the value of net assets, or if a breakdown occurs in any of the means normally employed to ascertain such value. The Directors have power to have a special valuation at any time if they consider that circumstances merit it.

Further Information

Further statutory and general information is contained in the Appendix.

APPENDIX

A. Share Capital and Rights

The authorised share capital of the Fund is £500,000, divided into 1,000 Management Shares of £1 each and 49,900,000 unclassified shares of 1p each. The unclassified shares may be issued as Participating Shares or Nominal Shares (see below). At the date hereof no Participating or Nominal Shares have been issued. 1,000 Management Shares have been issued for cash at par to the Managers.

Management Shares

The Management Shares have been created so that Participating Shares may be issued (in order to be participating redeemable preference shares, the Participating Shares are required under Jersey Law to have a preference over some other class of share capital). The Management Shares on a poll carry one vote but do not carry any right to dividends and on winding up rank only for a return of paid-up capital (after return of nominal capital on Participating and Nominal Shares), adjusted for any balance on the Management Reserve Account.

Participating Shares

The Participating Shares carry the right to dividends declared by the Fund in general meetings or by the Directors. Each holder of Participating Shares will be entitled, on a poll, to one vote for each Share held. In a winding up each Share has a preferential right to return of capital paid up and a right to share in surplus assets after return of capital paid up on Nominal and Management Shares.

Nominal Shares

The Nominal Shares are non-participating redeemable second preference shares. They can only be issued at par and only for the purpose of providing funds for the repayment of the nominal amount of the Participating Shares redeemed. They will only be issued to the Managers. They carry no right to dividend. In a winding up they have the right to repayment of paid-up capital after return of nominal capital on Participating Shares in priority to repayment of paid-up capital on the Management Shares. Each holder of Nominal Shares is entitled on a poll to one vote irrespective of the number of shares held. The Managers are obliged to subscribe for Nominal Shares for cash at par when Participating Shares are redeemed, unless the Directors decide that the nominal amount of such Shares is to be redeemed out of profits. Nominal Shares may be converted into Participating Shares by the Managers for sale to investors.

Redemption Price

The redemption price per Participating Share is determined in accordance with the Articles of Association by assessing the value of the net assets of the Fund on the day before the relevant Subscription Day, deducting the paid-up capital on Nominal Shares in issue, the value of the Management Fund, and a provision for duties and charges payable on the assumption that the whole of the Fund's portfolio was realised and dividing the amount so calculated by the total number of Participating Shares in issue or deemed to be in issue. This sum is then rounded downwards to the nearest whole penny (the Managers being entitled to receive the rounding down adjustment on Shares redeemed). Where Participating Shares are purchased by the Managers, the price paid is not less than the bid price which is calculated in the same way.

Further Issues of Participating Shares

The Articles of Association provide that, after the initial issue of Participating Shares, and except when there is a suspension of the valuation of the Fund's assets, further Participating Shares may be issued on Subscription Days at a subscription price per Participating Share not less than that determined by assessing the value of the Fund's net assets on the day before the relevant Subscription Day, deducting the value of the Management Fund and the paid-up capital on the Nominal Shares in issue, adding a provision for duties and charges which would be payable on acquisition of the whole of the Fund's portfolio and dividing the amount so calculated by the total number of Participating Shares in issue, and deemed to be in issue. The Initial Charge (not exceeding 2½ per cent) is added and the total is then rounded upwards to the nearest whole penny (the Managers being entitled to the initial charge and rounding up adjustment).

The Fund may also from time to time make offers of Participating Shares at fixed prices, within limits set out in the Articles of Association.

B. AUDITORS' REPORT

The following is a copy of a report addressed to the Directors of the Fund by Turquands Barton Mayhew & Co., the auditors of the Fund:—

To the Directors,
TSB Gilt Fund Limited

11th October, 1978.

Dear Sirs,

TSB Gilt Fund Limited ("the Fund") was incorporated on 6th October, 1978. As at the date hereof, no accounts for the Fund have been made up and no dividends have been declared or paid.

Yours faithfully,
Turquands Barton Mayhew & Co.

C. GENERAL INFORMATION

1. The Constitution of the Fund is defined in its Memorandum and Articles of Association; they are subject to alteration in accordance with Jersey law.

2. The preliminary expenses incurred in respect of the formation of the Fund are estimated to amount to £12,000 and the expenses incurred in connection with the initial issue of Participating Shares are estimated to amount to £60,000. The combined amount will be paid by the Managers.

3. (a) Save as mentioned no commissions, discounts, brokerage or other special terms have been granted by the Fund in relation to shares or debentures issued or to be issued by the Fund. However, on any issue or sale of Shares the Managers may, out of their own funds, pay commission on applications received through brokers and other professional agents.

(b) Under the Management Agreement the Managers are entitled to buy and sell the Participating Shares as principals for their own account provided that they do not sell or offer to sell any Participating Shares on any day at a price per share in excess of the prevailing offer price as defined in the Articles applicable on that day, and do not buy or offer to buy any Participating Shares on any day at a price per share below the bid price as defined in the Articles applicable on that day, and in exercise of their rights the Managers are entitled to sell Participating Shares to persons applying to the Fund for the issue of Participating Shares and to buy Participating Shares from persons submitting Participating Shares to the Fund for redemption.

4. The Fund is not engaged in any litigation or arbitration and no litigation or claim is known to the Directors to be pending or threatened against the Fund.

5. There are no existing or proposed service contracts between any of the Directors and the Fund but the Directors may receive remuneration as provided in the Articles of Association (see D below).

6. Save as disclosed herein:—
(a) neither the Managers nor any Director of the Managers or of the Fund holds any shares in the Fund;
(b) no amount or benefit has been paid or given to any promoter by the Fund since its incorporation and none is intended to be paid or given;
(c) the Fund has not purchased or acquired or agreed to purchase or acquire any property;
(d) since the date of incorporation of the Fund:—
(i) save for the issue of 1,000 Management Shares of £1 each at par to the Managers, no shares or debentures of the Fund have been issued or agreed to be issued, fully or partly paid up for cash or otherwise than for cash, nor is any such capital under option or agreed to be under option;
(ii) no Director has had any interest in the promotion of the Fund or in any property acquired, disposed of or leased to or by or proposed to be acquired, disposed of or leased to or by, the Fund.

7. The following contracts which are or may be material have been entered into otherwise than in the ordinary course of business:—
(a) Management Agreement between the Fund and the Managers dated 11th October, 1978 whereby the latter have agreed to manage the business of the Fund.
(b) Agreement between the Managers (1) Barclaytrust International Limited (2) and the Fund and TSB Gilt Fund (Jersey) Limited (3) dated 11th October, 1978 whereby Barclaytrust International Limited has agreed to perform secretarial, administrative and registrar duties and other services in relation to the Fund.
(c) Investment Advisers Agreement between the Managers (1) Central Trustee Savings Bank Limited (2) and the Fund (3) dated 11th October, 1978 whereby investment advice will be provided by Central Trustee Savings Bank Limited.
(d) Share Purchase Agreement between the Fund (1) and TSB Gilt Fund (Jersey) Limited (2) dated 11th October, 1978 relating to the purchase of Participating Shares by the latter, and the payment by the Fund of the latter's administrative and other fees and expenses.

8. The Fund has not commenced business and has not established and does not intend to establish a place of business in Great Britain. The Fund does not have any subsidiaries.

9. The Articles of Association provide that securities quoted on a stock exchange are to be valued on the basis of market dealing bid prices and market dealing offered prices at closing of business as provided by a stockbroker on the relevant stock exchange.

10. In view of the arrangements for the payment of preliminary expenses, which are described in paragraph C2 previously, there is no minimum amount which in the opinion of the Directors must be raised by the present issue of Shares in order to provide for the matters referred to in paragraph 4 of the Fourth Schedule to the Companies Act 1948 (Great Britain) namely:—
(a) The purchase price of any property purchased or to be purchased, which is to be defrayed in whole or in part out of the proceeds of issue.
(b) Preliminary expenses payable by the Fund and any commission so payable.
(c) The repayment of any monies borrowed by the Fund in respect of any of the foregoing matters; and
(d) Working capital.

11. Turquands Barton Mayhew & Co. have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion therein of their Report in the form and context in which it is included.

12. This Prospectus shall have the effect, where an application is made in pursuance thereof, of rendering all persons concerned bound by the provisions (other than penal provisions) of Section 50 of the Companies Act 1948 (Great Britain) so far as applicable.

13. Persons interested in acquiring Shares in the Fund should inform themselves as to: (i) the legal requirements within the countries of their nationality, residence, ordinary residence or domicile for such acquisition; (ii) any foreign exchange restriction or exchange control requirements which they might encounter on acquisition or sale of Shares; and (iii) the income tax and other tax consequences which might be relevant to the acquisition, holding or disposal of Shares in the Fund.

14. Save as disclosed herein, the Fund does not have any debentures, loan capital, borrowings or indebtedness in the nature of borrowing, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. The Articles of Association permit borrowings, and the Directors intend to negotiate standby borrowing facilities at such times as this is thought desirable or necessary.

15. The Directors of the Managers are:—Reginald Robert Jeune, Philip Francis Keens, Douglas John Edwin Clothier, Dennis Glover Creasey, Anthony Percival Warwick Simon and Brian Michael John Brown.

Mr. R. R. Jeune is a Director of the Fund and is a partner in the firm of Mourant, du Feu & Jeune which will receive a fee for its services in connection with the incorporation of the Fund and this issue. Messrs. Jeune, Keens, Simon and Brown are Directors of the Fund and are Directors of TSB Trust Company Limited. Messrs. Jeune and Keens are also members of the Trustee Savings Banks Central Board. Mr. Keens is Chairman of Central Trustee Savings Bank Limited.

16. It will be the policy of the Directors of the Fund to obtain waivers of remuneration from any of their number who may also be serving as an employee or director of TSB Gilt Fund Managers (Channel Islands) Limited.

17. The Articles of Association provide (*inter alia*).—
(a) The Directors may appoint a Custodian to hold the assets of the Fund and perform such other duties as the Directors may (with the agreement of the Custodian and the Managers) determine.
(b) The Directors must establish a Management Fund which may be used for the purchase of token holdings of the underlying investments to be purchased by the Fund. Any surplus or deposit on the realisation of any token holdings is credited or debited (as the case may be) to a Management Reserve Account.
(c) Upon the issue of new Participating Shares the subscriber may be required to pay an Equalisation Payment, ascertained by dividing the net undistributed income of the Fund by the number of Participating Shares in issue or deemed to be in issue. Equalisation Payments are credited to an Equalisation Account, and normally distributed to shareholders in accordance with the Articles on the payment of dividends.
(d) The Directors may require a subscriber to pay to the Managers upon the issue of Participating Shares an initial charge not exceeding 2½ per cent of the total of the issue price and any Equalisation Payment and an amount to adjust the resulting total upwards to the nearest penny.
(e) Subject to the provisions of the law the Fund may by Special Resolution from time to time reduce its share capital in any way.
(f) The Directors may, if they are satisfied that it is not likely to result in any material prejudice to existing holders of Participating Shares, issue Participating Shares in exchange for securities.
(g) Subject to the provisions of the law, all or any of the special rights and privileges for the time being attached to any class of shares for the time being issued may from time to time be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a resolution passed at a separate class meeting of the holders of such shares. At such a meeting every holder of the shares of the class shall be entitled on a poll to one vote for every such share held by him.
(h) The rights attached to the Participating Shares shall be deemed to be varied by any variation of the rights attached to shares of any other class or by the creation or issue of any shares other than Management Shares, Nominal Shares or Participating Shares. Subject to this, the rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.
(i) Power for the Fund to require any Participating Shareholder holding shares in breach of any law or requirement of any country or governmental authority or who is disqualified from holding shares to transfer such shares or to request their redemption.

D. THE ARTICLES OF ASSOCIATION—DIRECTORS

The Articles of Association contain provisions relating to Directors (*inter alia*) as follows.—
(1) Any Director may hold any other office or place of profit under the Fund (other than the office of Auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine. Any Director may also act in a professional capacity (other than as Auditor) and he or his firm shall be entitled to remuneration for such services as if he were not a Director.
(2) A Director may not normally vote in respect of any contract in which he is materially interested but shall not be disqualified by his office from contracting with the Fund.
(3) The Directors shall be entitled to such remuneration as may be voted to them by the Fund in General Meeting. Such remuneration shall be deemed to accrue from day to day. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Fund, or in connection with the business of the Fund.
(4) The Directors may exercise the powers of the Fund to borrow, but borrowings of the Fund and its subsidiaries shall not (except with the consent of the Fund in General Meeting) exceed one-half of the aggregate of the nominal amount of issued and paid-up share capital and consolidated reserves as defined in the Articles of Association.
(5) There is no share qualification for Directors.
(6) There is no age limit for Directors.

E. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the above mentioned report and consent and of the above mentioned contracts have been attached to the copy of this prospectus delivered to the Registrar of Companies in England and Wales for registration. Further copies together with a copy of the Companies (Jersey) Laws 1861 to 1968 may be inspected during normal business hours on weekdays (Saturdays and Public Holidays excepted) at the offices of Mourant, du Feu & Jeune, 16 Hill Street, St. Helier, Jersey and Bischoff & Co., City Wall House, 79-83 Chiswell Street, London, EC1Y 4TJ.

Dated 18th October, 1978.

APPLICATION FORM

TSB GILT FUND LIMITED

(Incorporated with limited liability in Jersey under the Companies (Jersey) Laws 1861 to 1968)

Issue of up to 49,900,000 Participating Redeemable Preference Shares of one penny each ("Participating Shares") at £1 per Participating Share (inclusive of the Managers' Initial Charge of 1½p per Share) payable in full on application.

Number of Participating Shares applied for	Amount Enclosed
	£

Note: Applications must be for a minimum of 500 Participating Shares.

To the Directors, TSB Gilt Fund Limited ("The Company")

Dear Sirs,

I/We enclose herewith a cheque/bankers draft for £________ made payable to TSB Gilt Fund Managers (Channel Islands) Limited and hereby apply for allotment of the above stated number of Participating Shares in the capital of the Company subject to its Memorandum and Articles of Association and upon the terms of the Company's Prospectus dated 18th October, 1978.

I/We agree to accept the same or any smaller number of Participating Shares in respect of which this application may be accepted, and I/we authorise you to place my/our names on the Register of members of the Company in respect of the shares allotted to me/us.

I/We authorise you to send to me/us a certificate for the number of shares in respect of which this application is accepted, and a cheque for any monies returnable by post at my/our risk to the address first written below.

I/We declare that for taxation purposes I am/we are not resident in Jersey.

Exchange Control Declaration

I/We hereby declare that I am/we are not resident outside the Scheduled Territories (see Note (i)) and I am/we are not acquiring the above mentioned shares as the nominee(s) or trustee(s) of any person(s) resident outside those Territories.

An applicant unable to make the above Exchange Control declaration may still apply for shares but must delete the declaration and arrange for this application to be lodged by an Authorised Depositary or an Approved Agent in the Republic of Ireland (see Notes (ii) and (iii)).

(1) Full name of Applicant
In Block Letters________
Mr/Mrs/Miss
Address in Block Letters________

____

Signature________ Date________
(Please add your TSB branch address, if any, and sort code number)

________ Code:________

(2) Joint Applicants (if any)
Full name in Block Letters________
Mr/Mrs/Miss
Address in Block Letters________

____

Signature________ Date________

(3) Joint Applicants (if any)
Full name in Block Letters________
Mr/Mrs/Miss
Address in Block Letters________

____

Signature________ Date________

(4) Joint Applicants (if any)
Full name in Block Letters________
Mr/Mrs/Miss
Address in Block Letters________

____

Signature________ Date________

FOR OFFICE USE ONLY
1. Application No.
2. No. of shares to be allotted
3. Amount received on application £
4. Amount payable on Shares allotted £
5. Amount returned £
6. Cheque No.
7. Certificate No.

Notes:

(i) The Scheduled Territories are listed in the Bank of England's Notice E.C. 1, as amended. At present they comprise the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

(ii) Authorised Depositaries and Approved Agents in the Irish Republic are defined respectively in the Bank of England's Notices E.C. 1 and E.C. 8 and include most banks, stockbrokers and solicitors in the United Kingdom, the Channel Islands, the Isle of Man and the Republic of Ireland.

(iii) Payment of application monies by non-residents, other than residents of Rhodesia, should be made in foreign currency, other than Rhodesian currency, or in sterling from or eligible for credit to an External account.

(iv) All joint applicants must sign. A Corporation should affix its seal, or complete the application under hand by a duly authorised officer who should state his representative capacity.

(v) Payment must be made by cheque or banker's draft made payable to TSB Gilt Fund Managers (Channel Islands) Limited and must be sent with this application so as to arrive not later than 10.00 a.m. on Wednesday, 8th November, 1978 addressed to TSB Gilt Fund Limited, c/o TSB Gilt Fund Managers (Channel Islands) Limited, Bagatelle Road, Five Oaks, St. Saviour, Jersey, Channel Islands.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMPUTERS

Streamlining the smaller business

INEXORABLY—and quite properly—the tendency of the computer makers is to introduce machines which will bring large mainframe benefits to small/medium companies without the need to employ armies of computer experts and with some assurance that employees and managers alike will get all the information they need, when they need it, and without untold expense.

Such are the aims of IBM's latest machine, System 38, which in a typical small installation with four display stations, three printers, 512k stations, three printers, 5.12k of main memory and 129 megabytes of disc storage can be leased on a three year agreement at £2,200 per month (purchase price £83,000). A larger system supporting 30 local displays and with 390 MB of disc comes out at £9,300 per month or £330,000 to buy.

The innovation in System 38 is the control program facility (CPF) which uses techniques which greatly simplify procedures for all who use the computer in their work, whether for running routine jobs or for inquiries that need a quick answer. For example, it controls the flow of jobs from many users, without operator intervention, so effectively that each user will feel that he has exclusive use of the system, with access to the central information base.

Users may be working with the same, or different application programes, adding or deleting information, or simply reviewing it, and in all cases will work quite independently, causing no interference or contention with other users.

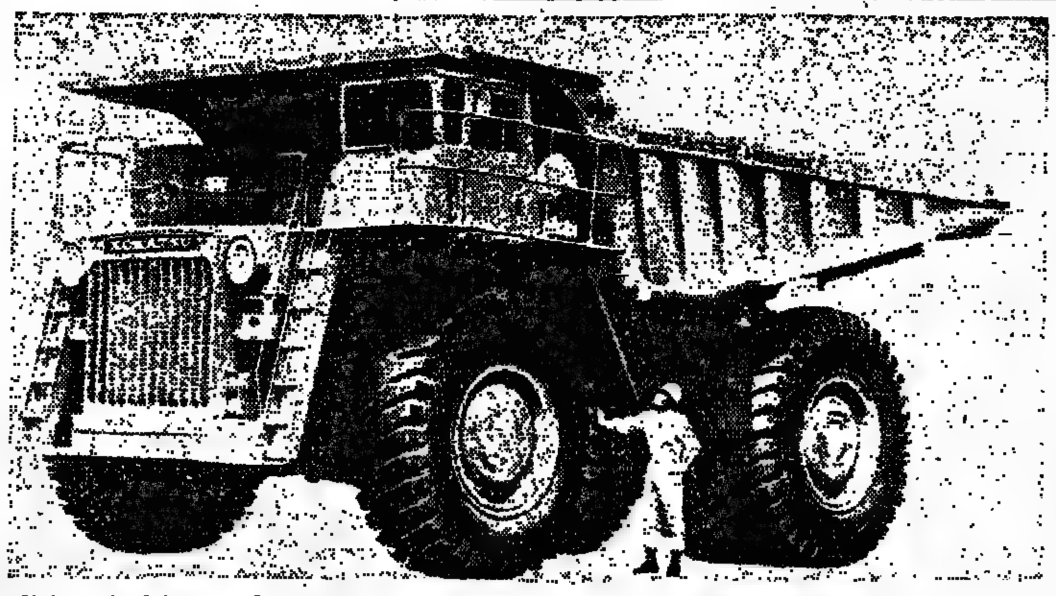
In practice this means that user departments are able to view the data in the way most meaningful to the task they have to perform: buyers get information about stock levels, prices and delivery dates of suppliers for example, while sales managers get order intake and delivery data; general managers would get both, and whatever else they need to control operations. Bars can be put on data access on a "need to know" basis.

Changes by one user are immediately available to all the others.

For the user, semiconductor main memory (which uses 64 k RAM chips) is indistinguishable from bulk memory (disc), the two interchanging working and program data all the time.

More about System 38, of which first deliveries are scheduled for the fourth quarter of 1979, from IBM United Kingdom, 101 Wigmore Street, London W1H 0AB (01-935 6600).

GEOFFREY CHARLISH



This is the latest and largest off-highway truck built by Komatsu. The 132 U.S. ton vehicle has a diesel electric drive system, similar to the one used in Japan's high-speed "bullet" trains, and its power unit is a 1,200 hp Cummins turbo-charged diesel. It has a turning circle of 10.33 metres (33.8 ft). Komatsu's UK distributor is Komatsu, D. V. J. Tyler, Padgets Lane, Redditch, Worcs. B98 0RT.

Watches over performance

TESDATA has taken a further step towards its ultimate aim of being able to offer "total resource management" of computer installations with the announcement of products which will in effect allow complete examination of input-output channels by insertion of a "transparent box" in the cable.

To do this the company has introduced the MS-108 channel event processor which investigates the increased or last performance incurred by a system as a result of peripheral activity. Used with the existing MS 88 computer monitoring system and additional memory, the new unit allows the mainframe and the total input-output subsystem to be looked at.

MS-108 is an extension to the existing facilities, detecting sequences of signals without attaching probes to each device; channel measurement firmware replaces panel logic techniques.

In use, the MS-108 is programmed to look for particular events on a channel, to perform various manipulations on the signals, and display the information abstracted.

Apart from existing bar chart displays that the company offers showing for example, how much of the processor is engaged in dealing with the various peripherals, Tesdata has now introduced a message display unit which can be made to show, with an audible warning, explicit messages concerned with overload of parts of the system, or impending overload.

To support the event processor and display, a new operating system and support software have been announced, mainly so that different sources of performance data can be handled, and then flexibly reported.

Tesdata claims that the data processing manager now has facilities to identify, for planning and operational purposes, things such as user service levels, cost, and system capacity, correlated in graphic form with other factors over any period—up to a year if need be.

More from Hatfield Road, Slough, Berkshire (Slough 71961).

● ELECTRONICS

Portable bubbles

AVAILABLE off-the-shelf from Texas Instruments, the Model 765 portable bubble-memory terminal is a unique method of data entry, editing and storage for commercial applications.

Because the terminal's magnetic bubble memory retains data even when the power is switched off, information from a variety of sources can be stored for as long as required, and then transmitted in a single batch over a normal telephone line using the built-in acoustic coupler.

Unlike other methods of data storage such as cassette, cartridge, floppy-discs and paper-tape systems, the memory has no moving parts and requires no external storage media. In addition, the terminal has been designed for ease of use in the normal business environment, with a standard typewriter-like keyboard and simple English-language commands.

As well as the cost savings resulting from the elimination of extraneous storage media, Model 765 can save communication costs by batch transmission at periods when telephone rates are lower, and can economise on computer costs in time-sharing applications.

Using TI's "Silent 700" thermal-printer technique, the unit offers 30 characters per second writing and a file management system.

Texas on 0234 67466.

● RESEARCH

Solar energy conversion

WESTINGHOUSE SCIENTISTS have achieved very high efficiencies in the conversion of solar energy to electricity in solar photovoltais cells made of silicon.

The claim is for better than 15 per cent — the theoretical maximum is 22 per cent—with silicon dendritic web, a single-crystal form of silicon showing high potential for low-cost production.

Under a Department of Energy contract administered by the Jet Propulsion Laboratory (JPL), Westinghouse has been developing the technology of growing silicon ribbon for photovoltaic cells.

The technique used by Westinghouse forms silicon into a ribbon by drawing the material out of a furnace in a thin strip. The ribbon, or web, is formed by the solidification of a liquid film supported between two silicon filaments called "dendrites" which delimit the edges of the growing strip.

This process yields a long, mirror-smooth ribbon free from contamination and essentially ready for solar cell fabrication. Unlike other processes, costly slicing, lapping and polishing processes are not required.

Early web was typically 1 cm wide and was grown at 1 cm per minute rates. Recently, widths up to 4 cm were achieved. But Westinghouse analysis indicates that an area output rate of 25 sq cm per minute will be required for silicon web to meet the cost goal of 50 cents per watt. This output rate is expected to be achieved in the laboratory in 1979.

Solar photovoltaic cell costs, not including other required system components, have recently averaged $12 to $20 per watt in the United States, more than 10 times the cost of electricity generated by conventional means.

The scientist in charge of the programme is Dr. Daniel R. Muss, manager of solid-state research and development at the Westinghouse Research and Development Centre, Pittsburgh, Penna, U.S.

● MATERIALS

Safeguards tools

A METAL-WORKING paste promising a tough barrier and positive lubricant when there is extreme pressure between tool and workpiece, has been introduced by Guardian Barrier Lubricants, Guardian House, 92, Foxberry Road, London, SE4 (01-692 2592).

Developed initially to help achieve exceptional work finishes and production rates in metalworking operations involving even the toughest alloys, Guardian 505 has applications ranging from drilling, tapping, thread rolling, reaming, turning, milling and breaching to drawing, extrusion and cold forging operations. The company is offering working samples to potential users.

● PROCESSING

Speeds the wrapping

COMING INTO increasing use in the UK, where the scale of production often does not warrant investment in fully automatic wire wrapping machines, the units now offered by OK Machine and Tool (UK) are capable of up to 500 wraps per hour on a semi-automatic basis.

Model WWM 360 for example consists of three integrated modules — controller, wiring table and wiring bins.

The machine is controlled by a paper tape which lights displays and moves a pointer over the table, at the same time telling the operator which length of wire to select from the bins containing pre-cut lengths. Wires are then wrapped using a hand-held wrapping tool, between the pins indicated by the displays and the pointer.

A footswitch is used to "inch" the tape program on from one wire to the next, although in the model 370 the same result is produced by the action of the wrapping tool through the pointer head.

When a number of the machines are used to wire identical boards, they can be driven by a minicomputer which is able to take account of different operator speeds at each machine: control electronics at each station then become unnecessary.

More from the company at 48a, The Avenue, Southampton, Hants. (0703 38966).

● INSTRUMENTS

Pin-points problems

A SIMPLE recording device consisting of a zero to nine key-pad and a liquid crystal display, able to keep a close check on the nature of down-time on production machinery, has been put on the market by TDS Dextralog, of Blackburn.

Driven by a microprocessor the unit, designated BX, is able to keep stop and start times and the reason for the stoppage (as keyed in by the operator in the form of a single digit from one to nine) for up to a week. Time, usually from the start of the shift, is shown on the display.

Retrospective recording will not be accepted so that on-the-spot cause designation must be keyed in.

Anyone can retrieve the data from the store by keying in a code, when, for example, total time lost due to material hold up can be displayed. Such accessibility, claims the company, helps to create confidence in the recorder's impartiality.

Apart from making the productivity concept more real to operators, the device can also improve technical performance of machines, give better use of people and cut information collection costs.

More from Hillside, Whitebirk Estate, Blackburn, Lancs. (0254 682244).

Cleans up components

WHERE THE need arises to clean the leads of electronic and electrical components the Rush model RT2 purpose-built unit is available from Eraser International, 2 Hampton Court Parade, East Molesey, Surrey (01-979 8141).

The machine was originally developed for wire stripping applications in the motor manufacturing industry but has now been found useful for removing storage oxide layers or paint from items such as resistors and capacitors provided that the correct grade of cleaning wheel is used.

Able to process 2,000 pieces an hour, the machine will deal with most wire diameters up to 0.35 mm, cleaning the leads to within 2.5 mm of the body. Cleaning action is via frictional heat and abrasion generated by a pair of contra-rotating fibreglass compounded wheels.

Measures coating thickness

GALVANOTEST, put on the market by Surfatest and made in Germany by Elektro-Physik, is suitable for the measurement of almost all types of electro-plated coatings.

The instrument uses a small cell to remove the coating over a small area by electrolysis, based on the known relationship between the detached amount of metal and the quantity of electricity passed. Final point of the process is pin-pointed by a jump in potential of the electrolysis.

Cells are supplied for coatings between 0.5 and 75 microns, and for 0.05 to 0.75 microns. Diameter of the removed spot does not exceed 3.2 mm. Accuracy of the reading, which appears on a four digit-display, is 5 per cent.

More from Surfatest, 10 Planetree Road, Hale, Altrincham, Cheshire WA15 9JL (061 980 3555).

● SAFETY

Tank levels easily seen

LAUNCHED by Capper-Neill Controls is a data acquisition system based on a microprocessor and CRT display which will give an instant measurement of the levels and temperatures in up to 24 storage tanks.

Tank information from the sensors is serialised into the receiving display terminal using a digital transmission system employing the appropriate Post Office modem remote sensors can be connected over phone lines if necessary.

Tank data acquired is stored sequentially in random access memory and compared with high and low alarm set points which are kept in ready-only memory. A complete alarm listing is provided, showing any tank in an alarm condition. The alarm limits may be listed and modified by the keyboard and the new values will be stored in the RAM.

Alarms are presented on the top line of the display and will flash complete with audible alarm until accepted by the keyboard. The tank data may be divided into product groupings so that a complete listing can be displayed on one or more pages of the display.

Optionally, hard copy of all the data, alarm set points, faulty tankage and product listings can be printed out at 30 characters per second. It is also possible to connect several video monitors to give displays at other locations.

More about the equipment, known as CNC-1, from the company at 27 Sale Place, London W2 1PB (01-723 1094).

● GRAPHICS

Lettering film

ONE OF this country's leading suppliers of computerised phototypesetting equipment to the newspaper, printing and publishing industries, M. H. Whittaker and Son of Wetherby, West Yorkshire, has just gone into a completely new area of operation.

It has entered the dry transfer lettering film market as UK distributor for the American dry transfer product, Transfertech. Each sheet offers up to 50 per cent more characters than a single sheet from a competitor, says the company, and is not prone to accidental rub-off.

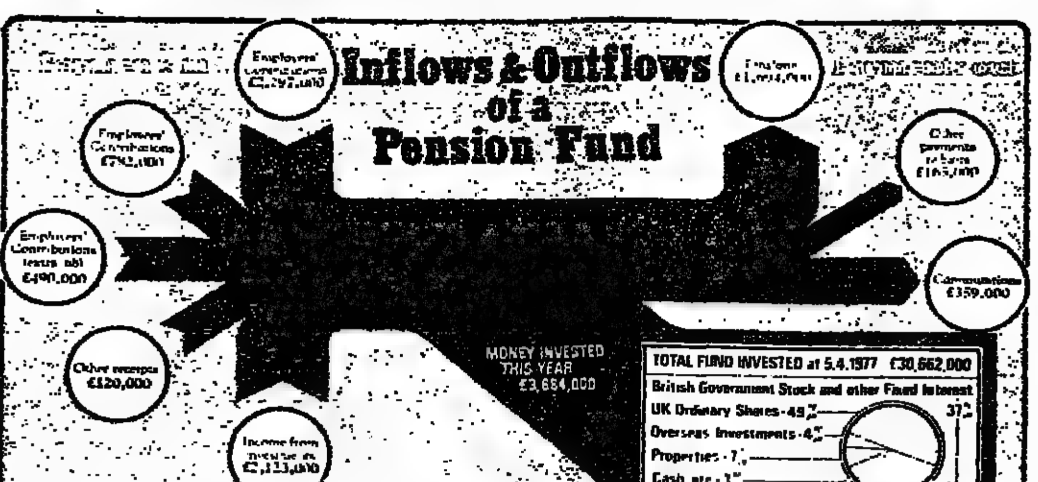
Said to offer more typefaces than any other dry transfer lettering systems, it also offers many more typefaces in white which, claims the company, is very much more opaque than the white of any of its competitors.

A significant advantage is that the carrier sheet does not bend or distort, nor does it pick up loose dust or foreign matter, a property which is extremely important when preparing camera-ready copy.

Further from 01-993 2226.

The Management Page

EDITED BY CHRISTOPHER LORENZ



What to say and how to put the message over

EMPLOYERS are now paying out considerable sums to provide their employees with adequate pensions and lump sum benefits. Between 15 and 20 per cent of payroll to cover the cost of the benefits is not uncommon these days. Yet the employer is not likely to get thanks for his efforts unless he tells his employees what is happening. The role of communications is a vital one in pension scheme arrangements.

In any communications exercise, there are two factors to be considered—what to tell and how to tell it. Pensions communication is particularly difficult because the subject in general raises little or no interest among employees until retirement is imminent.

So employees need to be told those facts about the pension scheme that are likely to interest them; and the information needs to be told in a manner that is easily understood. It is therefore advisable to consult with employees at all stages of the communications exercise to find out their wishes in this field.

Information can be considered under two headings—individual benefits and general details of the pension fund. Most employees want to know how they stand at present in the fund—what their pension is likely to be on current salary levels and, perhaps more important, what their spouses would receive if they died during the next 12 months. This kind of information is provided on an individual benefit statement, which can be similar to a salary statement.

Most, if not all, life companies will provide benefit statements for those companies which have pension schemes with them. But in order to keep down costs the format is usually a standard one. If an employer wishes to have his own particular type of statement, then he will have to pay for it. Some self-administered funds have gone to great lengths to ascertain the members' wishes and how often they want benefit statements. Some companies have discovered that employees are not interested in annual benefit statements. All they want is the right to ask for one when they so desire.

What do employees want to know about the pension fund itself, in particular on the investment holdings and policy? Here views can be widely divergent. Pension fund investment can be extremely complex, with varying proportions of the assets held in equities, property and fixed-interest securities. It is all too easy to swamp employees with information.

It is probably advisable to confine the information to the barest of details and find out from employees whether they want more information. Presentation is all important. Possibly the most useful form is a flow diagram showing the various sources of income and the ways in which it was paid out in claims and invested. Such an approach fulfils the trustees' obligation.

Some employers with a well established pensions organisation, have produced their own pensions booklet to explain the scheme; and they have done a good job. But communications is a job for the expert. Mr. Derek Bandey, of Metropolitan Pensions Association, and current president of the Society of Pensions Consultants, regards communications as one of the most important and vital functions of pensions administration; he feels that a professional approach is needed.

Most leading pension consultants and consulting actuaries have acquired the necessary expertise, often from outside their own organisations, and have used professionals for the production of the annual booklets. Some public relations firms are also now entering this field.

MPA, in its latest booklet for clients on communications, warns against too many people being involved in the production; the end result could be a camel instead of a horse. With the growing involvement of employees on trustee boards, this is a very real danger, since everyone wants to get in on the act. A small sub-committee is probably the answer.

Eric Short

The consumer affairs gamekeeper operating in a new estate

BY PAUL TAYLOR

THE RECENT decision of John Timpson, managing director of the William Timpson shoe shop chain, to appoint Colin Adamson as consumer affairs manager marks an important innovation for the UK retail trade. It also emphasises the company's continuing attempts to come to grips with the growing number of customer complaints, while warding off the attentions of the Price Commission.

Radical

Mr. Adamson, a 34-year-old bachelor, was recruited to his new Manchester-based job after ten years in the consumer movement, including six with the Consumers' Association and most recently in the Consumer Affairs division of the Office of Fair Trading. He prefers to think of himself as a "gamekeeper in another estate" rather than "poacher turned gamekeeper" although his appointment "from the other side" is something of a radical departure from usual company practice of appointing consumer affairs staff from within the company itself.

Apart from his brief from John Timpson to be "outspoken in airing customers' criticisms" of the company it is the timing of his appointment which is particularly significant. Although William Timpson, a subsidiary of the UDS Group and the second largest UK shoe retailer with about 5 per cent of the market, was the first in the industry to introduce a Code of Practice in 1975, the retail industry as a whole is one of the prime targets for criticism from the consumer movement.

In August the Office of Fair Trading issued a report claiming that one in five shoe distributors was failing to observe the provision for independent examination of "faulty" footware which is part of the industry's own two-year-old code of practice. The report also said that customer complaints rose from 22,302 in 1975 to 29,961 last year.

On the day following publication Roy Hattersley, Prices Secretary, acting on a Price Commission report published in June, offered the footware retailers the choice of cutting profit margins by 2 per cent or agreeing to help reduce shoe imports, protect jobs and, significantly, improve service to the customer.

John Timpson had been instrumental in pressing Mr. Hattersley for the alternative to profit restrictions and his company was one of the first to accept it.

Although Mr. Adamson's appointment had been considered within the company before the discussions with Mr. Hattersley,

John Timpson: getting to grips with consumer complaints.

it can be seen as a clear statement of intent. His job represents far more than a public relations exercise.

Mr. Adamson is acutely aware of the challenge facing him. He sees his role within the company as one of observation and direct intervention where necessary.

The concept of a consumer affairs manager appointed from outside a company's own ranks has been imported from the U.S. where a number of companies have successfully followed this course.

Mr. Adamson is confident that he can adapt himself to the demands of a private company rather than the vaguer objectives of the consumer organisation bureaucracy. He sees himself moving into the "sharp end" of the retailer/customer relationship and will answer directly to John Timpson.

He said: "I am there to lift up people's eyes within the company and to keep the pressure on emphasising consumer policy."

In fact the company already had a clearly defined consumer policy, the most recent addition to which was the publication of a "Children's Charter" laying down company policy on children's shoes. What Mr. Adamson does not want to become is a substitute for the company's existing complaints system. At present the "front line" in the system—the shop managers—receive about 2,300 pairs of shoes back from customers each week, about three per cent of the total number of shoes sold. Of these about 80 complaints are forwarded for consideration at head office, and if necessary sent on for independent testing. Mr. Adamson intends to approach his new job by first examining these complaints, meeting store managers and customers and "keeping up contacts with the consumer movement. At least initially his success will be measured against the cash refunded to customers following complaints although in the longer term the company will wish to see qualitative improvements in customer relations and customer satisfaction.

He recognises that to do his job properly there will be times when he will come into conflict with the company's existing management structure and there may be occasions when the ethics of consumer interest and marketing are counterpoised.

Creation

However, the company believes that in the long-term its market share is likely to increase if the customer is satisfied. Where Mr. Adamson's function takes him into sensitive areas, like staffing or poor products, he has the authority to intervene directly or through the existing company machinery.

The final measure of Mr. Adamson's success, and the success of the creation of his position, will be reflected in William Timpson's turnover and market share.

The shoe retail industry is keeping a close watch on Mr. Adamson's progress. If he succeeds where others have failed the consumer affairs manager, or even director, could become a permanent feature of other shoe retailers.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Rent payment on account

I have a lessee in an old works, of which a further part became vacant some time ago. I allowed him by word of mouth to use this part on the understanding that later we would came to terms. He paid a small rent, and I then much improved the premises, but I cannot get him to pay any more and have now served him notice to quit the extension. Shall I accept any rent offered as merely paid on account of any new rent agreed between us, or shall I accept none? Can I only apply to the Court to fix an interim rent, since September 1, 1977, when I proposed a new rent to him, only after the expiry of the notice to quit?

As you cannot obtain rent at a higher rate than that which the tenant paid in the past until an application is made for interim rent to be determined, you can accept rent at the old rate. You need not refuse rent at all; but payments made in respect of any period after the date of an application for interim rent should be accepted on account only. You can and should make an application made in the County Court under Section 24A of the Landlord and Tenant Act 1954. This can be made at any time after service of the Section 25 notice and should therefore be made forthwith.

Sales award in shares

I am employed by a UK subsidiary of a U.S. corporation and have won a sales award of shares plus cash. I am advised to declare the total cash value in my tax return for 1978-79. Is there any way of avoiding a capital gains tax liability? Originally the award was net but as the firm realise they would have to pay tax at higher rates, I am now told this is my liability. Is there anything I can do to reduce this? Would exchanging the cash award for shares help?

For capital gains tax purposes, the shares are deemed to have been acquired at market value (by virtue of section 22(4)(b) of the Finance Act 1965); they will never be free of capital gains tax—unless you cease to be ordinarily resident in the U.K., and dispose of them when you are not resident here. The market value will reflect the dollar premium if the shares are premium-worthy—which seems unlikely, but presumably you have checked this point with your bank or your employers.

There would be no intrinsic tax advantage in electing to take shares in lieu of cash (assuming that this is permissible under exchange control regulations, which presumably you have checked).

Strictly, the award is assessable for the period in which it was earned. However, if you have not hitherto been assessed on the earnings basis, the inspector may be content to let it remain assessable for the year in which it was made—if that suits you.

No preference yield here

Under "No preference yield here" (Business Problems, July 19) the questioner referred to a cash balance in the consolidated balance sheet of a company in which he was a cumulative preference shareholder and queried whether any payment could be made from such a balance. While I understand that, legally, he would only have a right to a share of declared profits, could not a dividend be paid from reserves?

We agree that a dividend could be paid from reserves: but the questioner could not require the company to do that. The question was directed to what a preference shareholder might claim as his entitlement.

Valid notices to quit

I gave notice to quit a furnished bedsitter as per the copy I am sending you. Will this do? Can I now file the necessary papers for eviction with the County Court?

The "notice to quit" which you have served appears to us to be invalid. You should serve a fresh notice to quit giving at least one calendar month's notice to expire on a rent day, that is, November 1, 1978, "or other the day on which shall expire one calendar month of your tenancy after the service of this notice on you." You can then commence proceedings in the County Court. You would be wise to consult a solicitor.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Business courses

Developing Human Resources in Multinationals, Brunel University, November 9-10. Fee £130. Details from Management Programme, Brunel University, Uxbridge, Middlesex.

Middle East Business Strategies '79, **MEED/AMR** International, November 13-14 at Hyde Park Hotel, London. Fee $600. Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2.

The Young Buyer, PMG, November 13-17 at Eccleston Hotel, London. Fee £165 plus VAT. Details from PMG Executive Training and Development, 207 Victoria Street, London SW1.

Pay Policy, IPM, November 20-22 at the Clive Hotel, Hampstead, London. Fee £237.60 members, £285.12 non-members. Details from IPM, Central House, Upper Woburn Place, London WC1.

Applied Creativity, Brunel University. November 27-December 1. Fee £290. Details from Brunel University Management Programme, Uxbridge, Middlesex.

Managing Staff in the Bank, Noel Alexander Associates, December 3-8. Fee £360 plus VAT. A residential course. Details from Noel Alexander Associates, 70 Queen Victoria Street, London EC4.

Principles and Practice of Marketing, University of Bradford, December 3-15: Fee £450. Details from University of Bradford Management Centre, Bradford, BD9 4JU.

Word Processing: Introduction for Managers, London, November 27: Fee. £60. Details from Management Studies Centre, 51a, George Street, Richmond, Surrey. TW9 1HL.

There are other fish to fry

BY MARGARET VAN HATTEM

IT LOOKS as though an end to the long fisheries dispute between Britain and its EEC partners is in sight. The way to the solution is at least as interesting as the solution itself.

Last week in Bonn Mr. John Silkin, UK Minister for Agriculture and Fisheries, and Herr Josef Ertl, his West German counterpart, agreed not to let their differences over a common policy for EEC fisheries stand in the way of a settlement any longer. They predicted an agreement by the end of next month.

Both insisted that they had not moved an inch from their previous bargaining positions. If this is the case, the inescapable conclusion is that the whole thing could have been settled last January. Though British demands have hardened since then, the other eight EEC members have not budged. So why has it taken them so long?

Poll factor

The delay, plainly, has had a lot to do with the possibility of a British General Election. Postponement of the election until next year is the biggest single factor behind the new rapprochement. Mr. Silkin publicly admitted as much in Bonn.

He will doubtless claim that a settlement is possible now because the others realise they have a strong Government to contend with. They will no doubt claim that he no longer needs to think quite so hard about the nine marginal seats attached to fishing constituencies. But this sort of points-scoring is irrelevant.

Both Mr. Callaghan and Herr Helmut Schmidt, the West German Chancellor have publicly committed themselves to a settlement before the EEC summit in December, the implication being that this is all that was required. That says quite a bit about how the EEC works.

Denmark, whose fishing interests far outweigh those of Britain and Germany, does not appear to have been consulted yet. Nor does the EEC Commission, whose belated decision to start up procedures which might, in the end, put Britain in court over unilateral fisheries measures was something of a damp squib offstage.

The Commission has, in fact, been left standing on the sidelines during much of the fisheries debate, as it was when Herr Schmidt and President Giscard d'Estaing decided to go ahead with the European monetary system.

Presumably the important, and the not-quite-so important, decisions still have to be taken bilaterally. And although the Commission is flexible enough to provide for plenty of bilateral negotiations under its aegis, some EEC members still prefer to go off and sort things out on their own. If they have enough political weight behind them, it seems, the others will fall into line sooner or later.

So, after a year of negotiation and a year of stalling, it looks as though we are going to get a common flesheries policy. It will probably look quite a lot like that proposed by the Commission almost a year ago.

There may be some small quota adjustments, marginally stricter conservation rules, and a face-saving formula to give Britain de facto control over fishing it is 50-mile coastal belt and rights to most of the fish in it, without bending the Community rules too blatantly. It will be quite a good deal for Britain, though probably no better than was tacitly on offer a year ago.

There are still differences to be ironed out—problems of wording, possibly ruffled feathers to be smoothed among the EEC states with fishing industries which were not consulted. Some British trawlermen still have to be convinced that this is the best they can hope for, though others have known it for some time.

Loose ends

But this is not expected to take more than a few weeks. After which the Commission can set about tidying up the loose ends of arrangements with third countries and putting an end to the enthusiastic over-fishing which was bound to result while there was no regime. Over-fishing by Britons, let it be added, as well as by Danes, French and Dutch.

The signing of an agreement should make for slightly more cordial relations between Britain and the others. Not that fisheries policy was ever a big enough issue to cause a fundamental rift.

Some British ministers have not yet conceded defeat in the debate on British entry to the EEC, and their "anti-European" intransigence on points such as fisheries or energy policy gives ammunition to EEC governments opposing them in other areas. But who knows, now there is to be no 1978 election perhaps Mr. Benn, too, will be feeling magnanimous. . . .

A panegyric on muck and melons

GARDENS TODAY

BY ROBIN LANE FOX

EVERY GARDENER, surely, would be proud to have grown and eaten one of his own melons. If gardening seems to you to be a repetitive battle against weeds, think what a melon would do for your self-confidence. It is an ambition with a long history. Looking back across two centuries to Gilbert White, that great Hampshire naturalist, and his diary of his garden, I find that his Octobers are steeped in the picking and problems of his home-grown melons. There seems to have been little time to think of anything else. The round began in spring. March the 16th 1756, for instance: "carted 15 good Dung-carts of hot dung for the melon-bed, nine of our own dung and six of good Farmer Parsons's." Or March 14, 1757: "made a melon paper-house," to hold the heat, I assume, for the seedbags, "8 ft long and 6 ft wide, to be covered with the best writing-paper." Every mid-March he is busy with sowings of the Cantaloupe Melon, potting up seeds which have often been hand-picked in friends' own melon-pits. October, then, would see the late fruits, though autumn 1757 was so mild that he "culled the last Canteloupe," amazingly, on Boxing Day. In October, "cantaloupes come in apace; very high-flavoured and weighty for their size while their coats are black and embossed," like a lord in waiting. How dull, then, that my October is given up to picking the piles of sour apples which fall so thickly over the lawn.

If you grow the tender sorts of cucumber, you can grow a melon without too much trouble. One simple approach is to rest content with the new crosses between melons and the obliging South African squashes. Thompson and Morgan of Ipswich will sell you seeds of their T and M Melon-Squash, a fine new fruit if you can persuade it to germinate. It has to begin in heat of 80 F, best contrived in an airing-cupboard or a small seed-raising box with electric heating. After that, it will grow like bindweed and fruit heavily in warm rich soil in a frame or summer greenhouse. I recommend the flavour, like a sweet small melon, curving in shape but orange in the flesh. In its first public season, reports of it have all been good. You only need four or five plants. Be sure to pick the fruit while still green and store it in a warm cupboard, up to 70 F, indoors. It will keep for months, changing to an edible orange colour after ten weeks or so.

Among true melons, Thompson and Morgan now offer you the delicious Israeli variety, sold as Ha-Ogen. At 29p a packet, London shoppers will consider the seed a fine bargain: you ought to end up with at least three fruits on each plant. The Charantais variety sounds tempting, but be warned that the new hybrid Resistant Joy is now a better buy. It resists the mildew which is the curse of most other varieties and is said, too, to be unreceptive to allied forms of wilt. If you still want an older sort, you cannot improve on Hero of Lockinge. Available from, say, Gees of Biggleswade, it was selected a century ago in my great-grandfather's kitchen garden where it still filled a greenhouse a few years ago.

How, though, to grow the wretched things? You must start the seeds off in March indoors in a hot, even temperature. Nowadays, that means the airing cupboard for most parsimonious gardeners. Melon-seed, however, must not be allowed to dry out. Try a well-soaked peaty compost and if your laundry permits, keep the air damp by spraying. Give the pot the daylight as soon as it pokes out its leaves. Keep it warm until you have four leaves, no easy task in a frosty April. Then, move it to a melon-bed.

Here, old Gilbert White had the right idea. Melons revel in muck, especially hot, rotting muck. Edwardian fruit-houses grew melons as never before or since in private gardens: their method was quite simple. Rotting manure was piled up, caught while still fresh enough to heat as it decomposed. A mound some three feet deep would then be topped by a layer of meadow turves, cut with the topsoil heavy on them and laid grass downwards on the muckup. A small mound of soil would then be piled up at three foot intervals along the surface of upturned turf. Into this, you stuck your melon plants and covered it with the usual glass light of an ordinary unhearted frame. By mid-May, the sun would suffice to keep the rotting manure at a heat of around 70F. The gardener would experiment with ventilation, adjusting the frames on top until the temperature was roughly correct. If frost threatened, mats or blankets were thrown over the frame in the evening. Throughout the summer, the bed would be watered heavily. Each plant would be limited to three or four shoots, all side-growth being cut out at once. These would be fanned out over the upturned turf. Flowers would soon follow and await hand-pollination. Except on the new F1 Hybrids, you must cut a male flower, roll back the flower to expose the stamens and ram him into a female and her stigma, preferably at noon. Mad dogs and melons go out in the mid-day sun, nowadays. Unless you bring the sexes together, the older varieties will bear no fruit.

When the fruits swell on some or all of the happy couples, choose four on each plant and pull off any others. Stop each fruiting stem by pinching it out at the leaves above the fruit. Keep up the water until their skins begin to crack and show that they can swell no more. Stop, then, at once.

If you can contrive turf and hot manure, your results will be excellent. Otherwise, lay on as rich a soil as possible, well laced with bonemeal and manure. You do not need a greenhouse, but you must play safe and use a plain cold frame unless you meet a year like 1976.

All the experts insist on te importance of water. Success, in my experience, does indeed depend on it. I am amused, then, by Gilbert White's final word on the subject. "It is to be observed," noted this sharp-eyed naturalist, that melon-plants in narrow and shallow beds excelled those in deep and wide settings. The soil, indeed, was strong, but melons in a deep home were liable, he thought, to catch a mould because they drew up too much moisture. In cramped boxes, they were healthier. The point defies all the usual principles and for once, I disbelieve him. His melons, I suspect, were simply catching mildew; quite apart from their dampness or dryness. On this delicious subject, even the keenest of observers has let his eye run away with his reason.

High hopes for stable mates

RACING

BY DOMINIC WIGAN

GAVIN HUNTER, who had the misfortune to lose that fine stayer, Shangamuzo, at the end of last season, will be as busy as anyone this afternoon, about 3.40. At that time, Silver Bazaar is due to line up for him in Sandown's Oxshott Nursery, while just three or four minutes later the two-year-old's year older stable-mate, Monsoon, ought to be going to post for the Ellerby Stakes, some 200 miles further north at Redcar.

Both appear to have bright prospects of scoring for their East Ilsley handler.

Silver Bazaar, a compact colt by Lord Gayle out of the Runnymede mare, Misacriolla, a winner in France as a three-year-old, gained a well deserved first success at Brighton last time out after several useful efforts. There, Silver Bazaar, reverting to the minimum trip after a slighly disappointing run over six furlongs, was not hard pressed to beat Chinese Kung Fu and six others, after travelling well throughout. Although it is difficult to accurately judge the value of that form, since Peter Supple's runner-up is not the most consistent of two-year-olds, Silver Bazaar could do little more than oblige with a good late turn of foot. He does not appear overburdened with 8 stone 7 lbs.

If Silver Bazaar fails to follow up here, I expect Dynamic Mistress to be the cause. Derek Kent's course and distance scorer, whose best performance almost certainly came at Windsor in July where she ran the odds on Pessu to a length in a minor event, has won both here and at Salisbury over the minimum trip.

SANDOWN

1.30—Mormon's Way
2.00—Gilt
2.35—Northleach
3.10—Robust
3.40—Silver Bazaar
4.10—Wale

REDCAR

3.15—Hedge School

Because an accurate list of runners is unobtainable, the above have not been confirmed as definite starters.

The Tote, which has come up with, almost certainly, near complete anti-post lists for the big Cheltenham races, reports considerable interest in Gay Spartan for the Piper Champagne Gold Cup, and in Monksfield, for the Waterford Crystal Champion Hurdle. Monksfield remains a 4-1 chance to retain his title in the champion hurdle, but Tony Dickinson's Gay Spartan has been clipped by five points to 20-1 for the Gold Cup.

The Tote bets 4-1 Monksfield, 9-2 Sea Pigeon, 14-1 Mr. Kildare, and 16-1 Beacon Light, Connaught Ranger and Rodman for the Hurdle; while going 5-2 Midnight Court and 12-1 Batchelors Hall, and Jack of Trumps for the Chase.

Police choose BMW bikes

ALL BUT TWO of Britain's police forces have West German-made motorcycles, says Mr. Tony Hille, managing director of BMW Concessionaires GB.

He told a motor show function that BMW sold 1,400 motorcycles in the UK last year, and sales this year were already above the 2,400 mark. This made Britain the largest market in the world per head for BMW superbikes.

Sales of BMW cars were up 18 per cent this year compared with last year.

TV/Radio

† Indicates programmes in black and white

BBC 1

9.15 am For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Over the Moon. 2.01 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 10.20 am). 4.20 Wally Gator. 4.25 Jackanory. 4.40 Animal Magic. 5.05 John Craven's Newsround. 5.10 The Hills of Heaven.

5.40 News
5.55 Nationwide (London and South-East only)
6.20 Nationwide
6.50 It's a Knockout
8.03 Secret Army
9.0 Party Political Broadcast by the Labour Party
9.10 News
9.35 The Fall and Rise of Reginald Perrin
10.05 Sportsnight
11.25 Tonight
12.05 am Weather/Regional News

All Regions as BBC-1 except at the following times:—

Wales—10.00 and 2.18 pm I Ysgolion. 3.00 Rugby Union: West Wales v New Zealand. 5.10 Billidowcar. 5.55 Wales Today. 6.50 Heddiw. 7.15 Pawb Yn Ei Fro. 7.40 Tomorrow's World. 12.05 am News and Weather for Wales.

Scotland—11.00 am and 2.18 pm For Schools. 5.55 Reporting Scotland. 12.05 am News and Weather for Scotland.

Northern Ireland—3.53 pm Northern Ireland News. 5.55 Scene Around Six. 9.25 Spotlight on people in Northern Ireland. 10.05 Sportnight, European Championship: Northern Ireland v Denmark. 12.05 am News and Weather for Northern Ireland.

England—5.55 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

9.40 am Gharbar
10.05 Parosi
10.20 Play School
10.45 The Service of Thanksgiving and Dedication to mark the completion of Liverpool Cathedral.
6.20 Ceefax is Here.
6.50 News on 2 Headlines
6.55 May I Have the Pleasure?
7.25 News on 2
7.30 The Service of Thanksgiving and Dedication at Liverpool Cathedral (edited version)
8.00 Gardeners' World
8.25 The Money Programme: Roy Jenkins on the European Monetary System
9.00 A Party Political Broadcast (as BBC-1)
9.10 M*A*S*H
9.35 Play of the Week
11.10 My Kind of Movie: Frank Muir on 'Casablanca'
11.15 Arena: Cinema
11.50 Late News on 2
12.05 am Closedown (Reading)

LONDON

9.30 am Schools Programmes. 12.00 The Adventures of Rupert Bear. 12.10 pm Stepping Stones. 12.30 Sounds of Britain. 1.00 News plus FT index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon. 2.25 Racing from Sandown Park. 3.50 Tell Me Another. 4.20 The Sooty Show. 4.45 Shadows. 5.15 Batman.

5.45 News
6.00 Thames at 6
6.25 Help!
6.35 Crossroads
7.00 This is Your Life
7.30 Coronation Street
8.00 What's on Next?
8.30 Power Struggle
10.00 Party Political Broadcast for the Labour Party
10.10 News
10.40 Midweek Sports Special
12.25 am Close: Katherine Cornell reads a poem by Elizabeth Barrett Browning

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 About Anglia. 12.25 am The Big Question

ATV

1.20 pm ATV Newsdesk. 5.15 You're Only Young Twice. 6.00 ATV Today.

BORDER

1.20 pm Border News. 2.00 Houseparty. 5.15 Bernie. 6.00 Lookaround Wednesday. 12.25 am Border News Summary.

CHANNEL

1.18 pm Channel lunchtime News and What's On Where. 5.15 Emmerdale Farm 6.00 Channel News. 6.15 Arthur 10.00 Review. 10.38 Channel Late News 12.25 am News and Weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian ...

GRANADA

1.20 pm This Is Your Right. 5.10 What's News. 5.15 Crossroads. 6.00 Granada Reports Special.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.00 Help Yourself. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm.

HTV Cymru/Wales — As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.20-4.45 "Rydw" I am Fod . . . 6.00-6.15 Y Dydd.

HTV West — As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 pm News and Road Report. 2.00 Women Only. 5.15 Batfink. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Elstine. The Singer Of The Song. 12.25 am Late Call.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 3.50 Survival. 5.15 The Undersea Adventures Of Captain Nemo. 5.20 Crossroads. 6.00 Day By Day. 6.35 Scene Mid-Week (South East Area Only). 12.25 am Southern News Extra.

TYNE TEES

9.25 am The Good Word, followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.00 Women Only. 5.15 Happy Days. 6.00 Northern Life. 12.25 am Epilogue.

ULSTER

1.20 pm Lunchtime. 4.18 Ulster News Headlines. 5.15 Cartoon. 5.20 Crossroads. 6.00 Reports. 6.35 The Bob Newhart Show. 12.25 am Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 Emmerdale Farm. 6.00 Westward Diary. 10.38 Westward Late News. 12.25 am Faith For Life

YORKSHIRE

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. ... Travis. 9.00 Simon ... Burnett. 2.00 pm ... Paul Cambaccini. ... Band (S) (joins Radio ... (S). 12.00-2.02 am As ...

VHF Radios 1 and 2 ... Radio 2, including 1.5... 3.02 David Hamilton ... Radio 2. 2.30, 4.30 ... 200kHz and 1.454kHz ... Dunn (S) including 5. ... With Radio 2 10.00 ... 2.02 am With Radio ...

RADIO 2

5.00 am News. 5.02 ... including 6.15 Pause ... Terry Wogan (S) in... Bulletin and 8.45 Pau... Jimmy Young (S) ... Walk 12.30 Pete Murr... including 1.45 Sports ... Hamilton (S) (continu... ing 2.45 Sports Desk ... Special. 4.45 Waggoner... 4.30) 5.00 John Dunn ... Sports Desk. 7.02 Sin... (S) 7.30 Listen To ... Sentimental Serenade (S... Sarios 9.55 Sports De... Huddlines with Roy ... Munro says Be My ... Clayton introduces ... cluding 12.00 News. ... mary

Radio 2 Scotland ... Sportsound Special ... ships: Scotland v Nor...

RADIO 3

6.55 am Weather. 7.00 News. ...

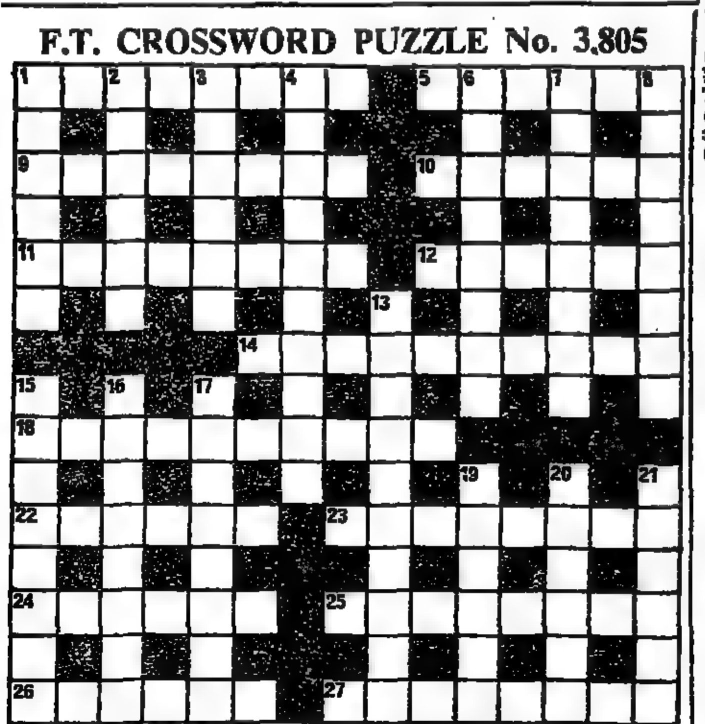
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 3,805



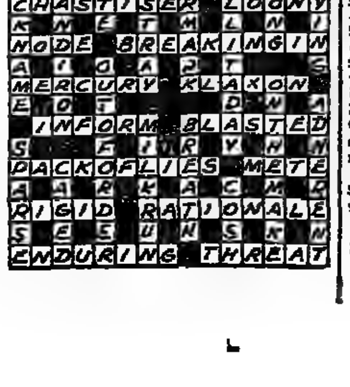
ACROSS

1 Note a small source of illumination (8)
5 Exhibitor in the rain (6)
9 Chap I make better with manual treatment (8)
10 Joined followers of many football clubs (6)
11 Ingredient of salad dressing, or Popeye's girlfriend (5-3)
12 Unusual crop is itching to the doctor (6)
14 A Chartered Accountant gets decimal wrong, but it's only theoretical (10)
18 Foreign currency put to eastern board should be capable of sale (10)
22 Open these seeds for a revealing spell (6)
23 Get away without notice in adventure (8)
24 Covering up a thrashing (6)
25 Backward although with ten years on scripture (8)
26 Turn this reptile and finish upside-down (6)
27 Honest and upright and good for the poker player (8)

DOWN

1 Frisk doctor in prison (6)
2 Illuminated French article in narrow opening (6)
3 Went slowly in church edition (6)
4 Thermic bar possibly for fish (6-4)
6 Good-looking worker gets a part (8)
7 Confection made from a wet rice (5-3)
8 Deliver one copper to the French for derision (8)
13 A gift to charity and bouquet for one growing up (10)
15 Strokes at Wimbledon and Lords should make a successful performance (5-3)
16 Soldier is less refined going round South Africa (8)
17 The end of the line for people and trains (8)
19 Father going to North America with mother for a hat (6)
20 Worthless person commanded Girl Guide leaders (3, 3)
21 Forming a group of ex-test players? (6)

Solution to Puzzle No. 3,804



ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the Box Office.

OPERA & BALLET

COLISEUM. Credit cards 01-240 5258. Reservations 01-836 3161. ENGLISH NATIONAL OPERA ...

THEATRES

MAYFAIR. 629 3036. Evs. 8.00. Sat. 5.30 and 8.30. Wed. Mats. 3.00. WELSH NATIONAL THEATRE CO. DYLAN THOMAS'S UNDER MILK WOOD "A delight." Gdn. Join us Nov. 9 for the 25th Anniversary Party. Show-Buffet Wine £10.

NATIONAL THEATRE. 928 2252. OLIVIER (open stage). Tonight 7.30. Tomorrow 2.45 & 7.30 THE DOUBLE DEALER by Congreve ...

ROYAL COURT. 730 1745. Evgs. 8.00. Sat. 5.00 and 8.30 Must end Nov. 4. NICOL WILLIAMSON "A virtuoso performance." D. Tel. INADMISSIBLE EVIDENCE "This is one of the few great plays of the century." D. Mail.

ROYALTY. CC 01-405 8004 Monday-Thursday evenings 8.00. Friday 5.30 and 8.45. Saturdays 3.00 and 8.00. London Critics Vote BUBBLING BROWN SUGAR Best Musical of 1977 Tel bookings accepted. Major credit cards. Restaurant res. 01-405 7418

SAVOY THEATRE. 01-836 8888. Credit cards 734 4772 Tom Conti in WHOSE LIFE IS IT ANYWAY by Brian Clark "A MOMENTOUS PLAY I URGE YOU TO SEE IT." Guardian. Evgs. at 8.00. Fri. & Sat 5.45 and 8 45.

SHAFTESBURY. CC. 01-836 6596-7. 01-836 4255 Evgs. at 8.15. Matinees Thursday 3.00 Sat. 5 00 8.30. TERENCE STAMP in EDWARD GOREY'S DRACULA with DEREK GODFREY "ABSOLUTELY STUNNING." LAST 2 WEEKS. ENDS NOV. 4.

STRAND. 01-836 2660. Evenings 8.00. Mat. Thurs. 3.00. Sats. 5.30 and 8.30. NO SEX PLEASE— WE'RE BRITISH LONDON'S LONGEST LAUGH— OVER 3,000 PERFORMANCES

ST. MARTIN'S. CC 01-836 1443 Evgs. 8.00. Matinees Tues. 2.45. Sats. 5.00 and 8.00 AGATHA CHRISTIE'S THE MOUSETRAP WORLD'S LONGEST EVER RUN 26th YEAR

TALK OF THE TOWN. CC. 01-734 5051. Air-conditioned. From 8.00. Dining Dancing. 9.30 SUPERB REVUE RAZZLE DAZZLE ...

CINEMAS

LEICESTER SQUARE THEATRE (930 5252). Kirk Douglas in a Brian De Palma film THE FURY (X). Sep. Perfs. Wk. 1.00, 4.30, 8.10. Seats bkble. for Evening Perf. Mon.-Fri. & all Perfs. Sat. & Sun. Last day.

ODEON. Haymarket. (930 2738/2771.) MIDNIGHT EXPRESS (X) Sep. progs. Dly. at 2.30, 5.30, 8.30 pm. All seats bkble.

ODEON LEICESTER SQUARE (930 6111). THE CHEAP DETECTIVE (A). Sep. Progs. Dly. doors open 2.00, 4.45, 7.45. Last day.

ODEON, Marble Arch. W.2. (723 2011-2.) CLOSE ENCOUNTERS OF THE THIRD KIND (A). Sep. progs. doors open Mon.-Fri. 2.00, 7.30. Sat. 1.05, 4.15, 7 45. Sun. 3.00, 7.30. All seats bkble.

PRINCE CHARLES. Leic. Sq. 437 8181. Walerian Borowczyk's THE BEAST London X Sep. Perfs. 12.40 3.10, 5.55, 8.35. (Sun. 3.10, 5.55, 8.35). Late Show Fri. & Sat. 11.15 Seats Bkble. Lic'd Bar.

STUDIO 1 and 4 Oxford Circus. 437 3300. 1 Jill Clayburgh, Alan Bates in Paul Mazursky's An Unmarried Woman (X). Progs. 1.05, 3.30, 6.00, 8.35. Lte. show Sat. 10.50. 4 Agatha Christie's Death on the Nile (A). Sep. perfs. dly. 2.15, 5.10, 8.15. Lte. show Thurs., Fri., Sat. 11.15. Seats bkble.

Television

Triumph of the lost boys

by CHRIS DUNKLEY

As with orchestral performances, grand meals, or games of cricket, it is only very rarely that a television drama comes along in which every constituent manages to provide a flawless contribution thus affording the listener, consumer, or onlooker an experience far beyond anything which might reasonably be expected from a catalogue of the various parts. *The Lost Boys* has been such a production.

The third and final part will be broadcast on BBC 2 tonight and it could, of course, fail to measure up to the first two parts—though that would be surprising. Even if it is catastrophically bad, however, it cannot destroy the achievements of those first two plays. They have told the story of the playwright, J. M. Barrie, and his relationship with the Llewelyn Davies family whose boys, it seems, provided the inspiration and the background for *Peter Pan*.

Such a small matter hardly sounds likely to provide enough material for a single 90-minute play, never mind three, yet writer Andrew Birkin has proved that however narrow the vein may be, it is a rich one, providing ore from which the most subtle and delicate objects can be made.

The one major drawback to the trilogy is that it deals yet again with that brief period of English history spanned by the reign of Edward VII which has served as a setting for such a disproportionately large amount of the drama on television in the last few years.

Yet it would be most unfair to condemn it for that alone. Birkin, director Rodney Bennett, the actors, producer Louis Marks, and indeed everyone connected with the production has the right to have his work considered on its own merits—not just measured against *Edward VII*, *Upstairs Downstairs*, *Lillie*, *The Duchess of Duke Street*, or the host of single plays set between 1900 and 1910.

If you do make that comparison, you find that *The Lost Boys* succeeds in combining more successfully than any of the others the spirit of confidence, self-satisfaction, and well-being which was experienced (presumably) at least by the middle and upper classes in that period, with the feeling of a dying fall prior to 1914 which hindsight projects upon it. The yellow light in which Sam Barclay has washed the interiors has a lot to do with this, but it emanates too from the peculiar melancholy characterising Barrie as written by Birkin and acted by Ian Holm.

It is not just this unusually powerful and dual sense of period which marks out the plays as superior, however. What they have done is explore a very complicated and most unusual set of relationships and instead of trying to shine lights right through the characters by using Freudianism as an X-ray machine (in the way that so much television drama does) they have used a less penetrating sort of illumination providing instead a much more subtle spread of light and shade across the visible surfaces.

Thus the plays have hardly been concerned at all, so far anyway, with the reasons for Barrie's churlish treatment of his wife and his fondness for the Llewelyn boys. Nor have they fought overtly against conventional attitudes that such relationships with little boys are "unhealthy." They have, rather, provided a deep understanding of how tremendously productive and rewarding this particular set of relationships was.

Moving performances from Tim Piggott-Smith and Ann Bell as the boys' parents have contributed greatly to this understanding, as of course have Ian Holm's interpretation of Barrie and the work of a whole crowd of child actors playing the boys at various stages of their lives.

(Incidentally, the very high standard of child acting in this country today gets far too little acknowledgement. Anyone watching ITV's imported American medic series *Rafferty* last Thursday saw a little girl greeting her long lost mother with a cry of "Marmee, Marmee, Marmee!" which had all the spontaneity and expressiveness of a multiplication table. Such acting simply would not be accepted, even in minor roles, in England today.)

But the most important of all the factors contributing to the success of the trilogy has probably been Birkin's use of original documents. Presumably the extensive quotations from Barrie's own notes and from letters are genuine, and the impressive thing is that neither Birkin nor the producer nor the director has succumbed to the temptation to "dramatise" the documents by turning them into conversations, declarations, dream sequences, or whatever.

Instead they have relied on that simple but much underused tool of television narration, the voice-over, and most impressive its exploitation has been. The bizarre nature of the relationships between the two families has certainly not been explained away. Instead its values have been conveyed to us much as they must have been seen and experienced by the participants.

Most of the other drama so far this season has been pretty unremarkable, which is not to say that it hasn't been enjoyable—simply that one can see now that in years to come it will not stand out, as *The Lost Boys* will, from the general run of proficient, unexceptionable material which our three channels transmit week by week.

If this sounds lukewarm, it is not intended to be so; on the contrary, it is a comment on the high standard that we have learned to expect.

BBC1's new Sunday serial, for instance, is a six-part version of Buchan's *Huntingtower* dramatised by Edward Boyd, which looks as though it will provide ideal teatime family fare for autumn evenings, with small boys outwitting shotgun-toting adults all over the picturesque Highlands. Yet I would not expect in two or three years' time to be able to pick it out in the memory from all the other filmed serialisations of Buchan, Scott and others which have gone on before and will no doubt follow on after.

Barnaby Holm as George Llewelyn Davies, Ian Holm as J. M. Barrie and Nicholas Borton as Jack Llewelyn Davies in 'The Lost Boys' (BBC-2)

There are two other drama efforts, however, which do seem worthy of comment even if they too will fade into the surrounding programme-scape sooner rather than later.

The first is Graham Benson's second set of half-hour *Premiere* films on BBC 2, each of them marking somebody's debut as a film (specifically film—not tape) director. A sort of Catch 22 affects these films: it would hardly seem fair to team up completely new directors with equally untried writers, but if instead you use some of the best writers in the business — and Benson has managed to—it is they who are likely to receive the plaudits.

Certainly in the three films that I have seen in the new series — *Hanging Around*, by Barrie Keefe; *Travellers*, by Stan Barstow; and *One Of These Nights I'm Gonna Get An Early Day*, by Trevor Preston (who has written the best of the Sweeney scripts)—it is the writing which has stood out.

Hanging Around and *One Of These Nights* were both slice-of-lifestyle plays, in which narrative was sacrificed to the popular Orwellian-type of social observation, the first about the very young urban poor, and the second about a third-rate jazz band. *Travellers* was the story of a death and, in flashback, a life, which infuriated by using actors to play several different parts concurrently, yet was highly successful in the economy of its plot and was ultimately a very moving little play.

For the final part of the Catch 22 I have to say that since the direction never impinged upon my consciousness in any of the three films, the directors—Malcolm Mowbray, Keith Evans, and Peter Ellis—must be considered successes in at least one important sense: none succumbed to the temptation to "make a mark" by shooting his entire work through a fisheye lens, a green filter, or a heavy gauze.

The other notable drama was Keith Dewhurst's play for ATV, *Two Girls and a Millionaire*, which was a refreshing surprise: a play which managed to deal with sexuality, gender, and marriage and also the modern gloss put on to these matters by the "feminist" movement without becoming either intense, heavy and self-satisfied (as so many women's lib productions have) or settling on the other hand solely for defensive flippancy and dismissiveness.

The flat-sharing girls played by Anna Nygh, Amanda Waldy, Judi Maynard and Angela Curran, were just like real people —and precious few plays concerned with the subject of Women have managed that in the last five years.

New music in Hungary—2

by DOMINIC GILL

I wrote last Monday about some of the composers of the older and middle generations represented at this year's festival of *Korunk zenéje*—Contemporary music—in Budapest. Two respected composers of the pre-war generation whose work was also played but which I did not manage to hear, were András Szöllösy (b. 1921), whose fine *Transfigurazioni* for symphony orchestra I had heard on tape during my first visit to the days of *Korunk zenéje* four years ago; and István Láng (b. 1933), an intelligent, confident manipulator of post-war west-European idiom, who was this year given a concert to himself. There was no sign this season of the composer and zither virtuoso Atilla Bozay (b. 1939); nor in the festival programme itself of the unusual talent of Sándor Balassa (b. 1935)—although I did hear a tape of Balassa's new one-hour radio opera *Azajtón Kipül* ("Outside the Door"), adapted from Wolfgang Borchert's *Draussen vor der Tür*, which was due later this month for its first stage production at the Budapest Opera, and which impressed me greatly.

In its five years, *Korunk zenéje* has also shown an increasingly lively concern for the work of its youngest and newest composers. There were not notable discoveries at the concert given by the Young Composers' Group of the Hungarian Musicians' Union: but the standard was one again high. *Percussion music* for two pianos by Iván Madarász (b.1949) was not always very fully worked out, but there was an exuberance to its generous mish-mash of elements that was undeniably attractive—glissandi on keys and strings ("Cimbalom-music"), percussive Bartokian clusters ("Drum-music"), muted ostinato figurations inside and outside the piano ("Clock-music").

Four Songs to poems by Paul Klee by Lászlo Király (b.1954) for soprano, flute, viola, cimbalom and harmonium were short, ephemeral settings for an unusual combination, imaginatively used. A study for percussion solo, *2+2*, by Lajos Huszár (b.1948) made a number of pretty, contrasting points in a very good, precise performance by Gábor Kósa (himself a young composer whose work I have noted with interest at previous festivals). The one notable lapse of the young composer's programme, indeed, was also the most surprising. At the same event last year, the *Variations for chamber ensemble* of Balázs Szunyogh (b.1954), an intriguing if undisciplined pot-pourri of styles from Stravinsky to Big Band Swing, had shown some signs of an interesting, individual talent. This year, Szunyogh went entirely off the rails with a new *Trio Serenade* in three movements for piano, clarinet and cello: an inept neo-Brahmsian pastiche, ghostly echo not merely from some pre-Schoenbergian limbo, but from a never-never land before Stravinsky, Bartók, Prokofiev, Poulenc or Milhaud. The finale sounded like a trio reduction of a bad imitation of a Walton film-score. What mad muse can have been whispering in Szunyogh's ear?

The visit of the Acezantez Ensemble from Zagreb was unfortunately an evening's lapse in itself. The single virtue of their concert was its relatively short duration: the Ensemble's succession of short sketches, collective compositions, and events without genre (or any perceptible shadow of substance) passed quickly by. Their penultimate item, a collective improvisation entitled *Kitsch variations*, would appear also to have been subtitled "It's climbing up my trouser-leg." The Ensemble's own programme note had the last word: "Only the ending creates the impression—the illusion—that one real, human word had been finally uttered—the only one—and when it comes, it is too late."

The last event that I attended of the *Korunk zeneje* this year was a concert of works by members of the New Music Studio—the home of the more experimental wing of new Hungarian music. In past years I have described the work of the Studio at some length, even when it has not actually appeared in the festival's programme, since it has seemed to me that for all its only quasi-official status the Studio has continued to produce, of its kind, some of the most original, provocative and engaging works to be heard in Hungary today. I wrote two years ago, indeed, that if there can be isolated any particular "characteristic" qualities of the new Hungarian music, they might be those exemplified by the Studio: a quiet, affectionate humour; a real spiritual concern, without any sense of Stockhausenish spiritual bludgeoning; a musical sensibility always informed, even at its most abstract, by a lively sensuousness, and by a willingness to accept and enjoy traditional harmonic implications; a notable preference for the simple, strong, sometimes startlingly obvious idea instead of the cheap effect or easy gimmick.

That judgment still holds firm. It was something of a disappointment, all the same, to find the latest work of the two founder members of the Studio represented in this year's concert, Zoltan Jeney and Laszlo Sary, clinging so tenaciously to what seems in danger of becoming an ever more narrow, abstracted and specialised path. Jeney's *Impho 102/6*, a tingling, tinkling study for six crotales, a shimmering meditation in rhythms, high harmonics and combination-tones; and his 25-minute *Pont-point* for five percussion groups and director, each group a mix of chimes, blocks, bells, bowls and drums, uncompromising and austere like a slowed-down gamelan. Sary's *For viola or cello*, here played by solo cello, a simple web of repetitive patterns entirely in high harmonics, an interesting instrumental study cast, like many of Sary's pieces, in a meditative, ritual mould; and his *Canon à 6* given here on three pianos, austere and unrelenting exercise, without climax or dramatic tension, beginning or end.

Like the Jeney and Sary pieces, *Les Lys de Rameau*, too, of Barnabás Dukay (b. 1950), a Satiesque essay for solo piano in *senza espressione* played at a constant *non rubato* tempo without any dynamic variation, had its own insistence, its peculiar charm. But none was truly a concert piece—each one a work-sheet rather (fascinating as a work-sheet may be) of current preoccupations, marginal notes, of work in progress. As a member of an audience, I felt discounted, disregarded. I missed something of the exuberant, lyrical inventiveness of (for example) Lászlo Vidovszky, another of the Studio's founder-members, whose *Death of Schroeder* once so delighted us, or whose *Souvenir de J* last year provided such a magical finale to the Studio concert, a gentle, courteous piece, full of love and quiet humour. One piece alone, by György Kurtág Jnr. (b. 1954) the son of the composer György Kurtág), led us smartly away from the *cul de sac* of systems-music: an effervescent and wonderfully deft study for amplified solo trombone with piano called *Chamber Music Basic Cases—Please Don't be Angry With Me*, six brief propositions, each one a perfect dramatic statement, delivered with electrifying virtuosity by the young trombonist who is also Kurtág's wife, Erika Bereczky.

Another award for 'The Naked Civil Servant'

Thames Television's Prix Italia and Emmy award-winner, *The Naked Civil Servant* has won first prize at the Semana Internacional de Cinema de Barcelona in the category "Films for Television." This dramatisation of Quentin Crisp's autobiography, was written by Philip Mackie, directed by Jack Gold and starred John Hurt as Crisp.

Music from Chopin piano

At the Guildhall on November 20 Albert Ferber will play music by Chopin on the same piano the composer used during his last appearance in London 130 years ago. The Chopin Commemorative Concert is being presented jointly by the Byron Society, the Chopin Society and the Anglo-Polish Society, with the profits split equally between the three organisations. Because of the state of the piano only two pieces will be performed on the original instrument.

Old Vic

King Lear

by B. A. YOUNG

Leonard Burt

Mel Martin and Anthony Quayle

Lear's kingdom here is misty and indefinite, both in time and place. The stage is overgrown with autumn grass, piles of straw lie in the corners, but there is nothing specific about the location, save when it is—nominally—at Dover. As for the costumes, they span the centuries from prehistory to the Belle Epoque. All they have to do is express the characters of those wearing them.

Such a production is useful to the players, who must work at their personalities without help from received notions of behaviour. Anthony Quayle's Lear looks like the Emperor Francis Joseph, but there is nothing about him of the Austrian court. He wears rough woollen clothes even at the height of his power, and his arrogance is like the arrogance of an ancient Scottish chief, out for instant obedience without frills. "Let me not be mad," quietly delivered, is an instruction to the pagan gods whom he so often invokes. When he is mad, he is a mad strong man, and when he is "fourscore and upward" he is an old strong man. It is not in his nature to ask for pity.

The Dukes and Earls, especially the French ones, wear rich clothes with ruffs round their necks, though everyone in this production except the three ladies sheds his raiment as life becomes more quarrelsome. James Aubrey as Edgar wears a cloak as inky as Hamlet's until he is betrayed by Edmund (Christopher Neame), who shows a strong streak of punk throughout the evening. Then as Poor Tom he wears next to nothing but dried blood, and when he has his last fight with his half-brother he is still almost naked, but the two of them have painted their bodies like boys from *Lord of the Flies*. The Fool (Matthew Guinness) has a white face and red nose and a coxcomb. As for Goneril, Regan and Cordelia, they make their first appearance in elaborate long gowns with elaborate hats atop, and the hats are really all they sacrifice even in the field.

To devote so much space to the costumes is almost to give a round-up of the playing. Mr. Neame's Edmund is punk to his fingertips, though Mr. Aubrey's Edgar, in both his personalities, is not so simple as his clothes. He is in fact moving and sensitive. Ralph Michael as their father is sternly aristocratic, even after the horrific loss of his eyes (the act shielded only by the body of the perpetrator).

Cordelia's retention of her finery in battle emphasises a point that Mel Martin makes in Act I, that to refuse the easy avowal of love is actually a matter of strength. Miss Martin is as tough a lady as Carol Gillies and Isla Blair as her two sisters, she only has better manners. Regan and Goneril, when they begin to fight over Edmund, shout at each other like fishwives; they deserve no more than to be dragged, dead, on stage on lengths of red fabric, which is how we last see them. Mr. Quayle does not try to nurse Cordelia throughout his moving "My poor fool is hanged" speech, and he leaves us one "Never" short as a result of trying too hard to inflect the five of them with different meanings.

If I have given the impression of a simple production, I am only half right, for Toby Robertson, the director, uses a lot of cosmetic emotion—thunderclaps, offstage music, clouds of mist and so on. The tense soldiers fearing the arrival of the French army produce an atmosphere as nervous as the beginning of *Hamlet*. In fact the emotional scale is high and wide, the action constantly gripping and progress brisk without ever sounding hurried. No one with any respect for the theatre would want to miss Mr. Quayle's Lear and it is a compliment both to him and to the rest of the production to say that he does not command the evening but inhabits it.

W. H. Smith Literary Award

The £2,500 W. H. Smith Literary Award prize has gone to Patrick Leith Fermor, 63, for his travel-autobiography *A Time of Gifts*, published last year, which described—44 years after the event—a walk he took as an 18-year-old from Holland to Constantinople.

Elizabeth Hall

Hugh Wood

by MAX LOPPERT

The Lindsay Quartet gave the first performance of Hugh Wood's Third String Quartet at the Bath Festival earlier this year and brought it to London for the first time last night. It is an unbroken, one-movement work made up of clearly defined sections. Some are very short, some quite lengthy, developing and repeating material during their progress in a manner that is both unexpected and convincing. All the sections are illuminated with string writing beautifully "heard" and detailed: the sum is a work of quite unusual poetic intensity, that keeps one intent on its course from first note to last.

At various junctures in the score the composer has affixed lines of poetry (there was no glossary in Susan Bradshaw's programme note, but I recognised the Donne quotations). Their sequence seems to imply an awakening, or re-awakening, of the soul from emotional dullness and despair—"Tis the yeares midnight, and it is the dayes"—to a newfound joy and vitality. The music, though in no obvious, programmatic fashion, seems to mirror such a movement. The work begins in slow, sustained notes, bleakly tinctured with harmonics, and ends in radiant Beethovenian trilling and leaping quavers. (It shows no unusual percipience to recognise the influence of the late Beethoven quartets on the work: for Mr. Wood has often written about them, with wisdom and love. Along the way, there are strange outbursts of bird-like melodic cheeping and pecking, and undergrowths of rustling semiquavers that support tentative lyrical outcroppings.

It is, as I say, an intensely poetic composition—each event seems to be added as a new image—and an intensely lyrical one, though the lyricism speaks out only gradually. It strikes me as quite one of the best things this composer has given us: he works slowly, and his opus is not large, but his music is always worth waiting for. I hope the Lindsay players repeat it often, so that familiarity can add detail to instinctive appreciation. (It was received with unusual warmth by a decent-sized audience. The quartet came between the two most famous quintets for clarinet and string quartet, the Brahms and the Mozart. In the former, the imprecisely tuned playing of Janet Hilton, the loose ensemble and baggy phrasing of the whole were a surprise, and a sore disappointment.

ICA

Science Fictions

by MICHAEL COVENEY

Shared Experience are the sunshine face of improvisatory theatre. Many people admired their recent four-play version of *Bleak House* more than I did, but there is no denying their technical fluidity and comic zest. With *Arabian Nights* they proved that fast narrative theatre is best done unhampered by props or scenery and that, as a rule, the most effective instrument of stage technology is the actor himself.

I find the group slightly too winsome for my taste, but there is a strong sense in their latest show of five actors (with five chairs) taking large risks with an audience, reducing us finally to a state of molten acquiescence.

The piece is slight verging on the infantile, tracking the events on board a space ship travelling around in search of a planet to land on. The characters are palindromic variations of the actors' names: thus Raad Rawi plays the ship's captain, Iwar Daar; Pamela Ferris the demonstrative alienologist Sirrefa Le Map; Ruth Seglow the radio transmitter Wolges H-Tur; Anthony Naylor the camp technician with a cleft palate Rolyan Ynobtna; and Sam Cox Xoc Mas, a hapless gofer in the style of Michael Crawford's Frank Spencer.

Shared Experience veterans Miss Ferris and Mr. Rawi have got the style down to a fine art, instinctively gauging how much of their own personalities as thespian hosts may intrude on their portrayals. The others have variable success and, although Mike Alfreds has directed with his usual generosity of spirit and invention, the main weakness is that you feel the show could have stopped and started at any point in the thin story line and no one would really have noticed.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
Telephone: 01-248 8000
Wednesday October 25 1978

A gamble in aerospace

FOR MOST of the past decade civil servants in the European Commission have been promoting the idea of a unified European aircraft industry, capable of taking on the Americans in the civil airliner market. Now, with the entry of the UK into Airbus Industrie, their dream has moved closer to reality. It is true that the event has been somewhat tarnished by indecisiveness on the British side and by the evident reluctance of the French to have the UK in except on their own terms.

The refusal of British Airways to buy either the existing A-300 Airbus or the 200-seater A-310 is bitterly resented by the French, since it undermines what in their view should be one of the major assets of a unified industry—the willingness of European airlines to buy European. But in the end the French preferred the UK to be with them rather than in the enemy camp: so from the start of next year British Aerospace will be a full partner, with a 20 per cent share in the consortium.

Boeing offer

Whether British Aerospace was right to reject collaboration with Boeing is impossible to judge since the Government never disclosed in detail what the Americans were proposing. In any case the Government's first priorities were to ensure that Rolls-Royce and British Airways got what they wanted; the future of British Aerospace came a poor third in Whitehall's pecking order. One suspects that the Boeing offer was rejected for the wrong reasons, because it implied sub-contractor status for British Aerospace and the imposition of unpleasantly rigid commercial disciplines. As it is, the UK is embarking on what must be regarded as a high-risk venture. Neither the British nor the French have yet succeeded, despite considerable support from public funds, in obtaining a profitable share of the world civil airliner market. The gamble is that the two countries acting together, with Germany as the third partner, can break out of the long run of failures.

In their favour is the world airline industry's strong demand for new equipment, which seems likely to persist for several years. Boeing, as the article on this page describes, is investing very large sums in a new family of airliners, including the 200-seater 767, which is a direct competitor to the A-310. But the American company is not expecting to capture the whole of the market. The order intake for the A-300 Airbus has been quickening and there is now a fair chance that break-even point will be reached during the 'eighties: so far, however, only one U.S. airline, Eastern, has ordered it.

Initial orders for the A-310 have been placed by several European companies, but it is clearly important that this model, too, is sold to a major U.S. airline. It may be that Airbus Industrie will at some stage in the future need to strengthen its position in the U.S. by collaborating with an indigenous manufacturer, possibly McDonnell Douglas; this might be particularly relevant to the plans, still only tentative, for a Joint European Transport in the 130-160 seat category.

Whether the European grouping can exploit the opportunities which undoubtedly exist depends in part on how the enterprise is managed. The experience of Unidata, the French-German-Dutch computer venture, shows how easy it is for nationalistic considerations to undermine the common purpose, especially when one or more of the partners is Government-owned. Political interference has bedevilled the French aircraft industry in the past, while the pressure on British Aerospace to preserve jobs is reflected in the decision to go ahead with the 146 feeder-liner, for which the commercial justification seems dubious.

Divided loyalties

If these pressures lead to divided loyalties among top management and an uneconomical split of work so that factories on both sides of the Channel can be kept open, then Boeing will have nothing much to worry about from Airbus Industrie. But the technical strengths of the European industry are not inconsiderable. If a unified management structure is established and if the Governments concerned refrain from interfering, there is a chance that the gamble could come off.

An inquiry may be held

ONE OF the roles the Government envisaged for the reconstituted Price Commission last year was examining sectors of industry where competition was considered to be weak. It was felt that there was a need to reinforce the work of the Monopolies Commission in sectors of imperfect competition with shorter and quicker inquiries into the influence of such factors as efficiency upon pricing policies. Whereas the Monopolies Commission was concerned with longer term issues of structure and behaviour, the Price Commission would examine the scope for using Ministers' powers to restrict prices as a means of stimulating efficiency when competition could not be promoted in other ways.

Competition in road haulage, the subject of the Price Commission's latest sectoral inquiry, can by no stretch of the imagination be said to be weak. Indeed, in some sectors overcapacity caused by the general economic recession has forced haulage rates down to particularly low levels: while in general, the commission concludes, competition has been sufficiently keen and customers sufficiently strong for margins to have been squeezed over the period 1975 to 1977 to the point where many hauliers have found their cash flow insufficient to finance vehicle replacement.

Grouping

The commission recognises the conventional view of road haulage as being highly fragmented and as consisting largely of small firms, many of them run by owner-drivers, as being somewhat misleading. There is a high and growing degree of product differentiation by area and by type of service. The larger fleets, with more than 20 vehicles, now constitute 40 per cent of the industry's capacity and in some sectors the subsidiaries of the state-owned National Freight Corporation, collectively by far the largest grouping in road haulage, are widely regarded as price leaders. Nevertheless, the industry is relatively easy to enter. Capacity controls were abolished a decade ago, making it possible for industrial firms to use their own private fleets for hire and reward. There are no tariff controls as in the U.S. and many continental countries.

The competitive climate has encouraged efficiency. Most hauliers operate with the bare minimum of overheads and even the larger companies tend to deploy their fleets among small depots, each of them operated as a largely autonomous unit. The growing concentration upon larger, and fewer, vehicles has enabled the industry to carry 30 per cent more in 10 per cent fewer vehicles in the ten years to 1976.

The Price Commission believes, however, that there is scope for further improvements in operating efficiency and cites, in particular, better work scheduling, more shift working and more back loads so as to reduce empty vehicle mileage. None of these ideas are new. Efforts have already been made within the industry to tackle two of the commission's suggestions. An association of owner-drivers was formed earlier this year with the aim, among other matters, of creating a chain of clearing houses to facilitate return loads: while a group of hauliers and food distributors have experimented with after-hours deliveries to supermarkets. In the case of work scheduling, the commission's third recommendation, the main problem has been trade union insistence on scheduling standards based upon maximum permitted distances travelled per hour and union objections to the use of tachographs.

In short, it is hard to see how this latest Price Commission inquiry can be said to have justified the effort and cost. It was of course commissioned after Ministers had been nettled by the refusal of West Midlands hauliers to re-negotiate a 15 per cent wage settlement a year ago. The least the industry can now expect is the Government's co-operation in persuading the unions to negotiate more efficient working practices and in trying to interest industry and the retail trade in taking deliveries outside peak traffic hours.

All set for the jet race of the century

BY MICHAEL DONNE, Aerospace Correspondent

A MAJOR transatlantic battle for growing short-to-medium range jet airliner markets is now in prospect, following yesterday's news that British Aerospace, the nationalised aircraft manufacturer, is to be allowed to rejoin the European Airbus Industrie consortium to help develop the A-310, the smaller, 200-seat version of the A-300 Airbus.

The A-310 competes directly with the Boeing family of new jet airliners formally launched this summer. Boeing is building its future hopes round the 200-seat, wide-bodied twin-engined 767, and the smaller, narrow-bodied 757. These aircraft are aimed at a market that is likely to be huge. Boeing believes that sales in the 757 category could amount to as many as 1,200 aircraft, while those in the 767 category could amount to as many as 1,500. Airbus Industrie concurs about the total potential size of the market, and is determined to ensure that Boeing does not have it all its own way.

Thus, the pace of development of all these new aeroplanes, which has been quickening all summer, can now be expected to accelerate further. Not only will the major airframe and engine manufacturers now rapidly extend their arrangements with risk-bearing partners and straight sub-contractors, but the latter are also likely to be clamouring for a share of the rich prizes waiting to be won.

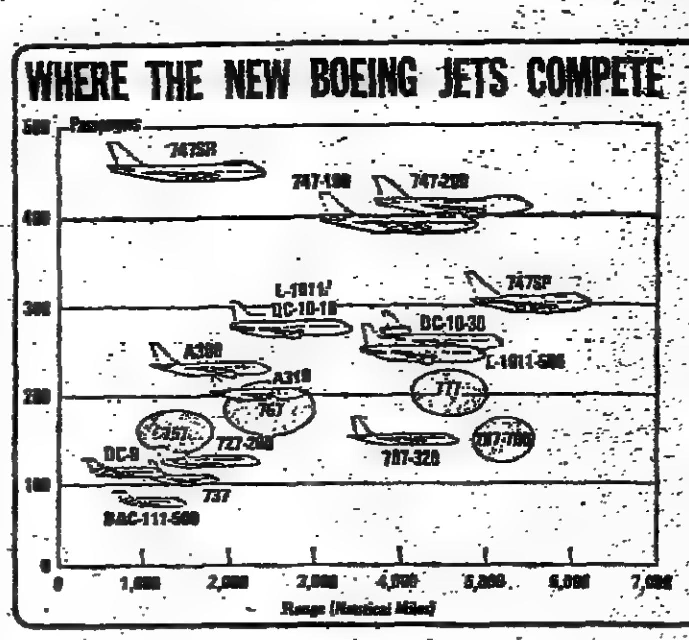
Now that British Aerospace is rejoining Airbus Industrie with a 20 per cent stake in the A-310, work on that airliner can also be expected to gather momentum rapidly, with Britain in particular designing and building the wings. The first A-310 aircraft is expected to be available for deliveries to airlines by the end of 1982.

The speed with which Boeing is pressing ahead with its plans is such that it expects to sign contracts with risk-bearing partners and sub-contractors before the end of this year. It is in discussions with some 35 potential UK sub-contractors for the supply of such items as engine pods and pylons (which link the engines with the wings), auto-throttles, auto-pilots, hydraulics, couplings, seals, navigation systems, fuel pumps — in fact almost everything other than structural parts and engines. The latter will be coming from Rolls-Royce (RB-211-535s) for the 757, but a fierce battle is still in progress between Rolls-Royce, Pratt and Whitney, and General Electric of the U.S. to provide the engines for the 767. The choice is still wide open.

Boeing says that the UK companies to which it is talking include some of the biggest names among aerospace suppliers—Marconi, Elliott, Smiths Industries, Plessey Avionics, Boulton Paul, Dowty and Short Brothers. The new jets will have a number of common components, so whoever wins the sub-contracts will be likely to find themselves supplying both aircraft for many years to come. The overall volume of business will be huge, because the total design, development and initial production costs of the two new aircraft will be more than \$2bn (about \$1.5bn for the 767 and about \$750m for the 757). About one-third of this will be for airframes, one-third for engines and one-third for components and systems.

The contracts for the component suppliers will initially amount to anything between 300 and 500 "ship-sets" of equipment, far bigger than anything currently available anywhere else in the world, including contracts in Western Europe for the A-300 and A-310 Airbuses, although these could also grow substantially in the years ahead.

Boeing's enthusiasm for its new family of jets stems from its market research, which shows that between now and 1988 there is likely to be a requirement world-wide for up to 4,400 commercial jets, costing about \$84bn (£42bn), to meet both the replacement of existing, and ageing, jet fleets (about \$32bn or £16bn) and the growth of world air traffic (about \$49bn or £24.5bn), with another \$3bn (about £1.5bn) being spent on all-cargo aircraft. Of this total, Boeing expects to retain the half of the total Western world's jet airliner markets which it currently holds, but will continue to fight for as much as it can get.



THE BIG MAKERS

UNITED STATES
- Boeing: 727,737,747,757,767
- Lockheed: L-1011 (TriStar)
- McDonnell Douglas: DC-10, DC-9

EUROPE
- Airbus Industrie: A-300, A-310
- British Aerospace: One-Eleven
- Fokker-VFW: F-28

Source: Boeing Commercial Airplane Company

All-cargo aircraft

Boeing divides this market into \$18bn for short-range jets, like the 737: \$32bn for medium-range jets, like the existing 727 and the new 757 and 767; and \$31bn for long-range jets, like the 747 Jumbo and the bigger versions of the Lockheed TriStar and McDonnell Douglas DC-10 tri-jets. All-cargo aircraft account for the remaining \$3bn. About half of these outlays will be in the U.S. market alone.

In addition to the 757 and 767, aimed at the medium-range market, Boeing has plans for two other new airliners—the new three-engined 777, which in effect would be a longer-range version of the 767, and a further version of the famous 707, powered by four of the new French-U.S. (Snecma-General Electric) CFM-56 engines. Boeing believes this aircraft would be suitable for long routes round the world which do not have the heavy densities of traffic needing either a 777 or a bigger tri-jet.

But the competition is formidable. Inside the U.S., Lockheed has several versions of the Rolls-powered TriStar, including the latest version, the long-range Dash 500 (the first of which made its maiden flight last week for British Airways), as well as its Dash 400, which is a direct competitor for the 767, as is the European Airbus Industrie A-310 version of the A-300 Airbus.

McDonnell Douglas' main project is its new version of the short-range DC-9, the Series 80. It also has plans for a "stretched" version of its DC-10 tri-jet, but has yet to decide to go ahead. It is also studying the possibility of a smaller, medium-range jet, the Advanced Technology Medium Range transport (or ATMR). So far, British Aerospace is in direct competition with Boeing only with its One-Eleven twin-engined aircraft (the latest Series 670 is on offer world-wide). The closest competitors of the One-Eleven are the DC-9-60 and the Boeing 737 short-range twin-jet.

Boeing, whose 737 is consistently outselling the One-Eleven, earlier this summer offered the UK a direct risk-sharing collaborative partnership on the 757 programme, involving work on the wings, landing gear and rear fuselage and part of the tail. But this was declined during the summer by British Aerospace and the U.K. Government, in the hope of rejoining—now achieved—the European Airbus Industrie consortium. Boeing admits disappointment that it could not secure some kind of deal with the UK, for it admires UK aerospace expertise and capabilities. But it is not too worried either about the loss of that capacity, or the prospect of it going to Western Europe.

Instead, it has sought risk-sharing partners elsewhere—with Aeritalia of Italy and with the Japanese on the 767, and with Rockwell, Grumman, Ling-Temco-Vought, General Dynamics, Rohr and Northrop, all in the U.S., on the 757. At the same time it is turning to UK, European and Japanese sub-contractors for equipment and systems. It has recognised that, while British Aerospace itself is anxious to become involved on any risk-sharing basis with Boeing on the new jets, there are many British electronics and systems companies which are only too anxious to obtain a share of the orders available on these huge programmes. Doubtless they are bearing in mind the comment of Mr. E. H. (Tex) Boullioun, president of Boeing's Commercial Airplane Company, earlier this year, that "many of our sub-contractors (on our other jet programmes) have made more money over the years than we have ourselves."

Boeing totally dismisses the rumours that have been circulating in UK and European aerospace industries in recent weeks that its new 757 and 767 programmes are not firm. It points to the order for 30 of the 767s from United Air Lines, worth over \$1bn, and to the deals with British Airways and Eastern for 40 of the 757s, and says that definitive contracts are now being negotiated, for signature around the year-end. Also, sales discussions with many other airlines interested in the 767 are now in progress—for example, with Delta, American, Pacific Western of Canada, Air Canada, Ansett of Australia, Trans-Australia, Pacific South-West of the U.S., Western and KLM of Holland.

In these discussions, Boeing is competing strongly with the A-310—which is much more of a direct competitor for the 767 than the bigger A-300 Airbus itself—and also with Lockheed, which has offered the Dash 400 version of its TriStar airliner in this contest. Most interest currently centres on Delta of the U.S., which is expected to make up its mind before the end of this year. At present, the running for the Delta orders seems to be between the 767 and Lockheed's Dash 400 TriStar, with the airline also more interested in the Pratt & Whitney JT9D-7 than the Rolls-Royce RB-211-524 engine in the 767 (although if the Tri-Star is chosen, Rolls-Royce would be likely to get the engine deal). Neither Boeing nor Lockheed discounts the competition from the A-310, which they recognise as formidable, especially since it has U.S. General Electric engines and many U.S. components. But they point to the fact that many of the major financial institutions in the US in recent months have tended to close ranks in favour of U.S.-manufactured products, so that the A-310's task in winning U.S. orders could become more difficult.

Delta is also a big potential customer for the 757, but Boeing sees most of the U.S. market lying among the smaller "regional" carriers, most of which currently have ageing 727s needing replacement. The smaller carriers collectively constitute a market for several hundred aircraft.

Preparations for production of the new jets is also now well advanced. Boeing is breaking ground for an addition to its existing 747 Jumbo jet factory at Everett, north of Seattle, for assembly of the 767, and is planning extensions to its Renton plant, south of Seattle, for the 757. Many of the detailed specifications are completed, and Boeing is already ordering long lead-time items for the 767, such as forgings. Design work on the 767 "is farther along than any other Boeing commercial jet has been at the same time lapse after the decision to launch," says the company. "We have three times the wind-tunnel hours than we had on the 727 at a comparable time." Several engineering "mock-ups" are being built, and the company is looking for roll-out of the first 767 in June, 1981, with the first flight due two months later. Roll-out of the 757 is foreseen for 1982. Production rates are expected to amount to up to ten 767s a month by the spring of 1984, with production of up to eight 757s a month at the same time, the precise rates depending on the inflow of orders.

But the new jet programmes are beginning to have their impact on the Seattle area, where Boeing Commercial Airplane Company has hired 10,000 additional workers so far this year, raising its payroll to 40,000 workers. While much of this intake is due to the impact of the new programmes, much more labour is also needed to cope with the continued heavy demand for Boeing's existing family of jets—the 707 long-range jet; the 737 short-range twin-jet; the three-engined medium-range 727 and the four-engined 747 Jumbo, which are collectively being built at a rate of 25½ jets a month, rising to 28 a month by end-1979. Boeing admits to a shortage of skilled engineers, for whom it is competing not only with other aerospace companies, but throughout the U.S. engineering industry. So far, it has not resorted to offering foreign aerospace engineers jobs in Seattle, but it could well do so if the existing jet programmes continue to expand as the new programmes evolve alongside them.

Different versions

The 747 Jumbo is in a class by itself, with 423 sold and 338 delivered. Boeing is now producing the aircraft in eight different versions, from all-freights through "combination passenger-freighters" called "Combis," to specialist models such as the Short-Range (SR) or very long-range SP (Special Performance) model. Looking ahead, Boeing sees the possibility of an Extended Body 747, seating up to 600 passengers, that it could develop at a cost of about \$100m provided at least two customers wanted it. British Airways is strongly interested in this Extended Body aircraft, but has not yet decided to buy.

Much of the demand for the existing jets lies in the 737 programme, where the current production rate is being raised in stages and will reach 8½ a month by end-1979. So far, over 621 of the 737s have been sold world-wide to 77 customers.

The case of the 727 is similar; total orders to date amount to over 1,500, making it the world's best-selling jet. Boeing believes that the 727 will continue well into the 1980s, and that even although the new 757 may capture some part of future 727 markets from growing airlines seeking bigger aircraft, there is still scope for modernising the 727 in the mid- to late-1980s to meet any competition that may emerge from Western Europe in the shape of a 130-160-seat "Joint European Transport" or JET programme. This is currently envisaged, but not yet launched, by Airbus Industrie.

MEN AND MATTERS

Putting a perk in pensions

The whole point about perks, according to one of my readers, is not whether they are right or wrong. It is whether they are pensionable. At the time of writing they are not. "Younger employees do not seem to realise the implications, but I do, at age 56," complains Douglas Porter, projects manager with an international airport service company.

He makes the point that fringe benefits are increasingly subject to the attentions of the Inland Revenue, but carry no pension rights. Benefit in kind amounts in his case to a lunch subsidy of between £1 and £2 a day; telephone rental of £34.56; tax and insurance for his company car, a Cortina, £135; and depreciation on the car, £500—a grand total of £899.56. "At 10 per cent of annual salary this represents some 20 per cent of my pension," he tells me.

Porter seems to have a reasonable point when he says the problem is not being openly discussed. He suggests the way round is joint contributory pension schemes based on notional salaries.

Whether or not this comes about, fringe benefits seem certain to go on proliferating while pay policy is around. David Cockcroft, head of the research department with APEX, the Association of Professional, Executive, Clerical and Computer Staffs, says season tickets and cars are proving the main growth points for his 155,000 members. But he admits the union has been split down the middle over the issue for some two years.

On one side are those who point to the tax advantages of fringe benefits, and their ambiguous, shadowy quality—a distinct advantage in a time of pay restraint. "Then there is the opposite view, also very strong, that they are not pensionable, and that there is a high correlation between inadequate salaries and people being bought off with fringe benefits." Cockcroft is not shy to admit this is his own view. He feels perks are often used to set different sectors against one another, and in some cases individuals as well. In principle a management favour rather than an agreed right, the perk—from the leasehold shirt to the season ticket—tends to encourage the pernicious "blue-eyed boy syndrome," says Cockcroft.

He says he will not be "going berserk" about elaborate schemes involving apparent salary reductions. "The Inland Revenue seems to have accepted it," he says. "But personally I think it's a bit barmy."

Limbering up

The 12,000 people who joined in the recent Fun Run round Hyde Park are about to have their collective hubris dented by the forthcoming exploits of the Director General of the Institute of Directors, Jan Hildreth. Not content with the odd jog and cross-country run, Hildreth is setting off this weekend for the rugged fells of Peebles. The 30-mile marathon he is entering is far from a mere canter round the meadow. Indeed, he tells me he has to go armed with tent and torch. Mist and rain tend to fall, as does darkness, during the two days of annual mountain marathon of Karrimor, the knapsack makers.

There is no track, just a number of remote map references of considerable complexity. Can we count on his safe return? Hildreth laughed, telling me that the runners all go in teams of two. He added that last year only three of the 60 entrants of the Olympic class finished. He himself runs in the third class.

The lure is obviously not the prize money. Hildreth says he has never won an award in his two previous marathons and does not even know what prizes are on offer. He is not sure if he will be running against any trade unionists, though he says that last year a number of the 2,000 competitors were in fact eligible to be the Institute's members.

I asked the Institute's medical office what was their usual advice on marathons involving 8,000 feet of climbing to men of 45—the age of Hildreth. It commented: "In general chaps can go in for cross-country running, but it is imperative to train up." When I put this to Hildreth he admitted he was "idle and ill-trained" compared with many 20-year olds. But he told me he raced occasionally on Saturdays and had trained for an hour last weekend, on Dartmoor. He added, "Compared with some of the entrants I'm by no means an oldie."

Cost conscious

It is the second largest public relations firm in the world and even if it were to lose a \$1m account this would only reduce its earnings by a "tiny fraction." So I was told by Burson-Marsteller about the report circulating in the Argentine advertising world that BM's contract with Videla's junta might be drawing to its end.

In fact the contract runs until December 31 and Michael Horton, BM's representative in Buenos Aires, says he is "confident" that it will be renewed for a further year. But a source in Government House, seat of the Presidency and Secretariat of Public Information, says he doubts this.

"It has been counter-productive," he adds, in reference to the picketing of BM's offices in New York recently following Amnesty International's reports that 4,000 opponents of the regime have "disappeared" and there are continuing "gross violations" of human rights.

Apart from the criticisms of BM by opponents of the junta abroad, the contract has also run into trouble in Buenos Aires itself. A number of officials in the Ministry of Economy in private express reservations about spending funds on work which, they argue, their own embassies and representatives abroad should be doing. Some Argentine papers, despite the government controls, have even been suggesting that funds spent on public relations are money down the drain.

Socialist value

A Russian trade official tells me the following story about Anastas Mikoyan, the legendary former Soviet president who died at the weekend. It affords some insight into how he gained his reputation as the great survivor of Soviet politics, escaping from a firing squad during the civil war, and somehow coming unscathed through Stalin's purges of the 1930s. When he died it was in bed, at 82.

Mikoyan could also make out in the capitalist world, I hear. On his visit to the U.S. in the 1930s, the then People's Commissar for Foreign Trade met Henry Ford. Ford was anxious to present Mikoyan with the latest Ford car.

"Sorry," said Mikoyan, "but I couldn't possibly accept such a valuable gift."

"O.K.", said Ford, "I'll sell it to you."

"How much?"

"Fifty cents."

Mikoyan reached for his wallet and handed Ford a dollar bill.

"Terribly sorry," apologised Ford, "but you see I don't carry small change."

"Never mind," said Mikoyan. "I'll take two."

Observer

FINANCIAL TIMES SURVEY
Wednesday October 25 1978

Venezuela

After a period of bounding prosperity under their ebullient leader President Pérez, the people of Venezuela will next year have a new regime - and perhaps a change of life style. The country's political stability and vast resources should, however, enable it to carry out adjustments without undue strain.

Changes on the way

By
Hugh O'Shaughnessy
Latin America Correspondent

BASIC STATISTICS

Area	355,759 sq. miles
Population	12.7m
GNP	Bs 133.5bn
Per capita	Bs 10,800
Trade (1977)	
Imports	Bs 36.61bn
Exports	Bs 49.96bn
Imports from UK	£175m
Exports to UK	£67.0m
Currency: Bolivar	£1=Bs 8.60

LIKE A fat man trying to slim, or a spendthrift trying to be frugal, or an extrovert attempting to become more introverted, Venezuela is facing the prospect *of having to change its style of* life.

Since the 1973 rise in the OPEC price of oil, the largest oil exporter in the western hemisphere has been living out a dream of riches. Government income has increased vastly and imports have tripled from one year to the next. Great development projects have been planned — steelworks, coal mines, aluminium plants, hydroelectric dams, underground railways. The Government has used its new-found financial strength to launch a new ambitious foreign policy and the State has spent vast amounts of cash to buy the wisdom and the technology of the universities of the western world.

Since March, 1974 this breathless process has been presided over by ahead of state, Carlos Andrés Pérez, whose personality—bluff, outgoing, gregarious and freespending—matched in an almost miraculous way the mood and circumstances of the country.

With his great energy, his deep laugh, his enthusiasm for a crowded and tumultuous life and his inward conviction that he could do for Venezuela's prestige in the 20th-century something of what the national hero, Simon Bolivar the liberator, did in the early 19th-century, President Pérez has been the embodiment of the bonanza years of the 1970s.

He has done a great deal of good for Venezuela, and his international policies, whether they were in support of a wise revision of the treaties regulating the control of the Panama, of a better deal for landlocked Bolivia, or of human rights during the Nicaraguan crisis, or greater progress in the North South dialogue, have on balance been positive and helpful.

Now the Pérez era is coming to its end. It is a safe bet that the personality of the new president—whoever he may be—will be more sober and workaday, in tune with the country's realisation that things cannot continue at the hyperactive, breakneck pace of the past five years.

At the beginning of December Venezuelans go to the polls to choose a new president and a new legislature. Almost alone of the people of South America they will be allowed to choose freely among a whole series of candidates from the New Left to the extreme Right. Although the slate of presidential candidates will include an orthodox communist, a former guerrilla fighter returned to parliamentarianism and an admirer of the late military tyrant, General Marcos Pérez Jiménez, the real fight will be between the two main parties, Acción Democrática, the centre-of-the-road social democratic grouping to which President Pérez belongs, and COPEI, the Venezuelan Christian Democratic Party.

Neither party has fielded a candidate to set the Caribbean on fire. For Acción Democrática there is Luis Piñerúa Ordaz, an introverted and cautious product of the powerful party machine, who could hardly offer a more complete contrast in personality to Carlos Andrés Pérez. Turning his back on Pérez's Bolivarian idealism Piñerúa (or Piñita, "Little Pineapple," as he is familiarly known) has decided that he wants to go down in Venezuelan history as the President of the Public Services.

Combination

He will win and be inaugurated in March if the electorate decide that they want better telephone services and improved drainage and that the Acción Democrática machine with Piñerúa at its head is the combination to give it to them.

Scoring level with Piñerúa in the opinion polls, with nearly a third of the popular favour, is Luis Herrera Campins, the COPEI candidate, a man with a slightly more expansive personality than the Acción Democrática choice. For vitality, however, he cannot hold a candle to President Pérez, or indeed to the grand old man of COPEI, ex-President Rafael Caldera, who preceded Pérez in office.

Herrera Campins will win if the electorate feel they need a change from rule by Acción Democrática and want a party which will sweep away some of the political cobwebs and jobbery that has inevitably accompanied this present period of explosive prosperity. As the countdown to polling day begins there is a tentative feeling in some political circles that Herrera Campins may win by a whisker, although a last big push by the powerful Acción Democrática machine may seize the victory for Piñerúa. Both men are closely advised by the best political pollsters and campaign managers that money can buy in New York.

This is a reflection of the fact that "image making" and the power of the communications media are concepts which are nearly as important in Venezuela as they are in the U.S. It has also given Sr. José Vicente Rangel, one of the leading socialist candidates, the opportunity to stamp his own campaign literature "Made in Venezuela," a malicious but effective jibe at the foreign connections of the two main parties.

Whether in the end it is Piñerúa or Herrera Campins the mood will change in Venezuela when the new presidential term starts in March. Most people are agreed that it has to move towards a greater sense of austerity.

"Austerity is a need, almost an imperative," President Pérez remarked to me earlier this month. He had just finished recording a television message to the nation explaining how the demand for telephone services had outrun the telephone company's ambitious plans for expansion and improvement. The simple explanation of the Venezuelan mood is that the country just has to draw breath and recover from the helter-skelter life of the past five years.

In the first instance it must demand a new attitude to the oil industry. It is inconceivable that the OPEC oil price will in the immediate future rise as much as it did in 1973-74. There is therefore no question of the Venezuelan economy developing in the next few years at the speed at which it did over the past five years. As a wasting asset it must be better husbanded. President Pérez has said that the domestic oil price must be raised from the present level of around 20 pence per gallon, although this is unlikely to be done before the new year, with the elections comfortably out of the way. A rise in the domestic petrol price, more than any other measure, would bring home to Venezuelans the real worth of the resource to which they owe much of their prosperity.

At the same time Venezuela will be pressing for a rise in the OPEC price which would make the development of alternative sources of energy more feasible. This move, too, would assist with the profitable working of the Orinoco Heavy Oil Belt, whose oil reserves, though difficult to extract, are comparable in size to those of Saudi Arabia.

A slowing down in the growth rate of the oil industry will mean a slowing down of the rate of growth of the whole economy. It will also bring the realisation that not all the plans that have been announced in the past few years will be accomplished. As the cost of many of these plans continues to rise it is clear that even Venezuela's purse is not long enough to fund all of them. It is also becoming clearer that Venezuela's reserves of trained manpower are seriously overstrained, despite the best efforts of the Government to train people at home and abroad. Although Venezuela's level of sophistication and literacy is superior to that found in many oil producing countries of the Middle East, the country does not have for the moment the reserves of skilled craftsmen and middle managers to cope with all the projects that have been tabled.

Levers

The new attitude is likely, too, to embrace a less ambitious attitude to foreign affairs. President Pinerúa or President Herrera Campins are likely to be too bound up in adjusting the levers of domestic politics to be able to spend as much time as President Pérez has done in the international arena.

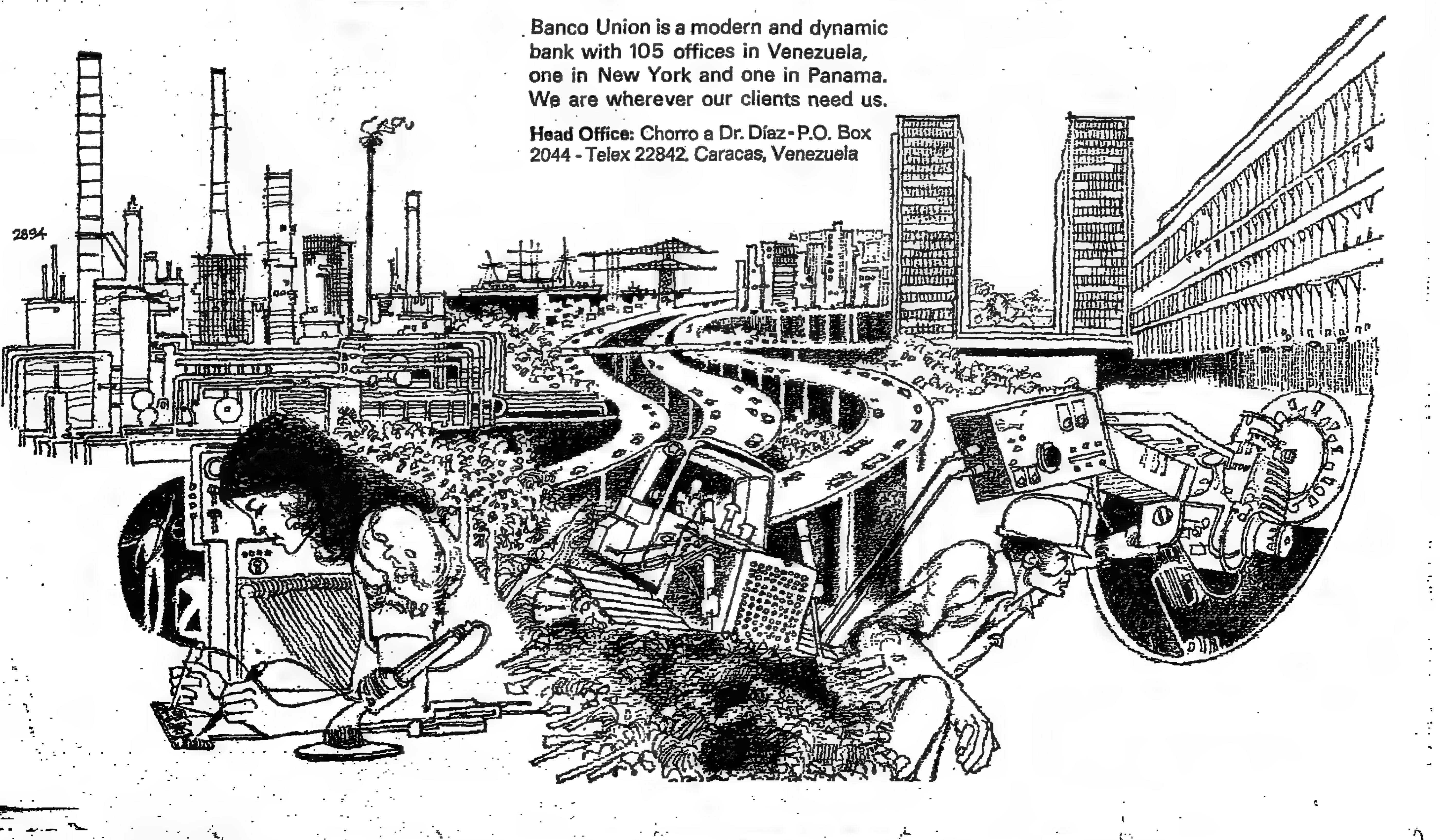
To add to the complications are the problems connected with the overseeing of the State-owned industrial giants which have been born as the result of the nationalisation by President Pérez of the oil and iron ore industries. Petróleos de Venzeuela, the State oil holding company, and the various operating affiliates which took the place of Exxon, Shell and the rest, have worked with great efficiency since vesting day at the beginning of 1976. They have worked so efficiently that many thinking Venezuelans are unconscious of the fact that the country has inherited the duty of setting its oil industry the strategic guidelines which were previously set by the boards of foreign companies sitting in New York, London or The Hague. Sooner or later the Venezuelans will have to wake up to this new duty.

The problems of adjustment that Venezuela faces in the next two years are therefore formidable. It is to the country's credit that over the past two decades the political structures under a parliamentary system have gained strength and maturity.

The tolerance and flexibility to be found in political life in Venezuela today are to be found in no other major country of Latin America. No other country of the region witnesses the alternation in power between two opposing political parties such as Venezuela has seen in recent years. Nor has any other country of the region been able to solve the problem of guerrilla activity and violence as Venezuela has. Nowhere else in Latin America could there be elections including a man bidding for the presidency who who was in the 1960s a member of a rural guerrilla army. Yet in Caracas Américo Martín, still a Marxist but no longer a guerrilla, is leading an energetic campaign against the two establishment parties. Nor is Martin averse to paying tribute to COPEI and his record of pacifying rather than liquidating the guerrillas.

To say this is not to say that Venezuela is a political paradise. Some political detainees has been treated unjustly and a current police scandal involving the death of a lawyer illustrates the fact that ugly things can happen. The continued existence of widespread poverty amid fabulous riches is a rebuke to President Pérez and recent violence in workers' flats in the capital has emphasised the fact that there is boiling resentment in many slum areas.

Overall, however, the strength of the Venezuelan political system and the resources the country has at its command should ensure that it deals satisfactorily with the painful adjustments that are just around the corner.



VENEZUELA II

Whirlwind years in foreign relations

IN FOREIGN policy, as in many other fields of policy in Venezuela, the Pérez years since 1974 have been whirlwind years. Since he took power, President Carlos Andrés Pérez has been continually travelling and speaking on foreign affairs subjects, and he has not been slow to use the country's wealth to further his ends.

He had hardly been in office when, in a characteristic gesture, he was taking full page advertisements in the New York Times and other U.S. newspapers to put over his point of view to the U.S. people. The Venezuelan leader felt strongly that the decision of the U.S. Congress to invoke trade sanctions against all members of the Organisation of Petroleum Producing Countries (OPEC) because of U.S. disapproval of the policies of the Middle Eastern members of that group was unfair and ill-informed.

He felt, too, that the international news agencies were unwilling or unable to make Venezuela's view known more widely. So he did the publicity himself.

The President takes his country's twin roles as an OPEC member and a prominent member of the Third World alignment very seriously, and this was reflected in the visit he undertook two years ago to the Middle East. Venezuela's role as a founder member of OPEC must by the nature of the production programmes of the different countries be subordinated to that of the principal oil exporter, Saudi Arabia. But that has not stopped Venezuela playing an important role in the organisation. Its present plan to raise prices by a few per cent immediately, with further price rises being scheduled for three monthly intervals, may well turn out to be a welcome compromise between those countries which want a big price increase and those who want little or no increase when OPEC come to meet in mid-December in Abu Dhabi to decide on pricing matters.

Like the Arab members of OPEC, Venezuela has been conscious of its obligations to the non-oil producers in the ranks of the Third World, and Venezuelan foreign aid has been generous. President Perez had his country spend about $480m in international aid, half being spent on multilateral aid and half on bilateral assistance. Venezuela last year disbursed $100m of the $½bn that it committed to a special trust fund with the Inter-American Development Bank, and $31.8m went to the OPEC Special Fund. Venezuela has spent $100m in a novel scheme of aid to Central America under which Central American buyers of Venezuelan oil are lent back the purchase price for use on development projects. Jamaica, Peru, Portugal and the Dominican Republic have also been direct beneficiaries of Venezuelan donations.

Prominent

The fact that Acción Democratica, President Perez's own party is a member of the Socialist International, has allowed Venezuela to take a prominent part in the affairs of the world grouping of social democratic parties. President Pérez himself attended the last SI conference in Geneva and has cooperated in the International's initiatives in Latin America.

The Pérez Government helped notably in the eventually successful efforts of the International to ensure that the Balaguer Government and the Dominican military respected the popular will as expressed in the presidential elections earlier this year. The fact that President Antonio Guzman is sitting in the presidential palace after his Dominican Revolutionary Party was acknowledged victor over Balaguer's Reformist Party is more than a little to do with President Pérez and his present Foreign Minister, Dr. Simón Alberto Consalvi.

Venezuela has also been a powerful mover behind the scenes in the Panama question. General Omar Torrijos had constant recourse to President Pérez during his negotiations with the U.S. on a new treaty to regulate the withdrawal of the U.S. from the Panama Canal, and President Pérez gave him moral, financial and political help.

Still in the regional sphere, Cuba has occupied the attentions of President Pérez and his ministers, although they have achieved little to encourage them in their desire for the emergence of a multi-party regime in that island.

Despite the forlorn nature of this hope, Venezuela has mended its commercial relations with Havana, and it could be that Venezuela will soon begin to supply oil to Cuba, which is now being supplied from the Soviet Union.

Elsewhere in Latin America President Pérez has tempered his manifest dislike of dictatorial military regimes with political considerations. General Videla, the leader of the Argentine military junta was allowed to visit Caracas, though the reception he got from the local Press and opponents of his Government might have given him reason to regret his visit. Flagrant violations by the Uruguayan régime of the Venezuelan embassy in Montevideo led to the withdrawal of the Venezuelan ambassador, Uruguay being an eminently expendable pawn on the Latin American diplomatic chessboard.

But the case in which President Pérez's initiatives captured most headlines has been his intervention in the Nicaraguan crisis.

At the beginning of his term of office in 1974 President Pérez privately expressed his concern at the survival in Nicaragua of a family dynasty which had been first set up in power by the U.S. in the early 1930s. The Somozas, he kept repeating privately, must go.

When broadly-based popular insurrection broke out in August against the rule of General Anastasio Somoza and the Nicaraguan National Guard started a tough campaign of repression against the civilian population, President Pérez was among the first to express his concern and his conviction that the best course would be for the General to give up power. Pérez's words returned very few echoes, and he therefore had to move with firmness when the National Guard started to make forays south of the Nicaraguan border into Costa Rica, the only democracy in Spanish speaking Central America and a country without an army. A force of Venezuelan warplanes was sent to Costa Rica as a warning to the Somoza regime not to continue its raids into its southern neighbour.

Most importantly, as U.S. officials readily admit, President Pérez's continuous lobbying of the Carter Administration helped to bring about the present decision in Washington that all must now be done to end the Somoza era in Nicaragua. When the Somozas leave and there is great democracy in Nicaragua—an occasion which cannot be very long delayed—much of the credit will be due to President Pérez and his Foreign Ministry.

Two problems near at hand still defy resolution. Venezuela's border disputes with its neighbours Guyana and Colombia. Despite years of diplomatic work there is no solution yet to the problem of how to delimit the waters of the Gulf of Venezuela, an area which could contain big quantities of oil. The question is not helped by the fact that hundreds of thousands of Colombians live in Venezuela, attracted by the work opportunities and high salaries and often not bothering to get legal permission for their stay.

Border

The border problem with Guyana—Venezuela claims the western third of the country—is a less acute problem and has been softened by the willingness of President Pérez and Prime Minister Forbes Burnham to exchange visits and discuss the problem.

With the discreet blessing of Britain and the Netherlands, Venezuela has been extending its contacts among the smaller islands of the Caribbean. This sort of contact is exemplified by the decision this month to ship a prefabricated cultural centre to St. Kitts and the announcement that Petroleos de Venezuela is in the market for a share of the Shell and Exxon refining operations on Curacao and Aruba.

Hugh O'Shaughnessy

Sr. Juan Manuel Sucre Trias, Venezuelan Ambassador to Britain.

Mr. John Lang Taylor, British Ambassador to Venezuela.

Trade links with UK

IF DIPLOMATIC activity was the key to close relations between Britain and Venezuela the two countries would be the best of friends and closest of associates.

In Caracas Mr. John Taylor and his staff at the British Embassy are currently being filmed by a BBC television team. There seems to be agreement between the Foreign and Commonwealth Office and the Corporation that the Caracas post is just the sort of hard-selling Third World post whose image must be fostered. British viewers will be seeing Mr. Taylor and his activities some time next year.

In collaboration with the British Embassy the British Council is expanding it activities in the cultural field. In Ciudad Guayana, the expanding new industrial complex in the eastern part of the country, for instance, the British Council has just opened a new English language teaching centre whose walls are bulging under pressure of students.

Waiting

Five hundred locals have enrolled and more than 100 are on the waiting list for the services of 12 staff in the complex of six classrooms, although the operation has been under way for only a few weeks. Similar stories could be told of the popularity of the Council's operations in Caracas and the oil capital of Maracaibo. At the same time in London Sr Juan Manuel Sucre Trias and his staff at the Venezuelan Embassy have produced a hive of activity over the past year. New premises have been acquired for the embassy, an office has been opened to deal with Venezuelan needs for science and technology. Sr Sucre Trias has completed the purchase of the house once used by Francisco de Miranda, one of the heroes of Venezuela's struggle for independence against Spain in the early 19th century, and that is to be turned into an international centre.

One of its main jobs when it is completed will be to provide better facilities for helping the hundreds of Venezuelans who are studying in British centres of learning, including many sponsored by the ambitious Ayacucho scheme of scholarships run by the Venezuelan Government. The energy with which the British Embassy is run in Caracas is well matched by the verve with which the Venezuelan Embassy is run in London. At the same time a constant procession of British and Venezuelan officials seems to be constantly in the air over the Atlantic on their way between London and Caracas.

President Carlos Andrés Pérez has visited this country and all that is now needed to complete the picture is for a British prime minister to take his (or her) courage in two hands and actually go to Venezuela.

Despite all this activity there is a fair amount of somewhat vague dissatisfaction on the British and Venezuelan side. On the British side the dissatisfaction centres around the trade situation. Britain has not got a large share of the enormously rich Venezuelan market where the big exporters are the U.S. and West Germany.

Increase

Statistics for the first seven months of the year showed that Venezuela bought £107m worth of British goods, a distinct increase on the figure for the same period of last year but nevertheless only a fraction of what that country's main partners were landing on its shores. Britain by contrast bought only £44.4m of Venezuelan products, notably, of course, oil. But that trade is on the decline as Britain becomes self-sufficient in oil products. Shell, the principal British industrial interest in Venezuela, has been nationalised along with all other private oil companies. What has eluded the best of British commercial and industrial endeavours has been one of those gigantic contracts which the Venezuelans have awarded to our competitors.

Spaniards and Canadians have an agreement on the main railway scheme, while the French have obtained a large share of the Caracas Metro contract, which is going ahead very quickly.

During the governorship of Diego Arria, now presidential candidate, British Leyland (now BL) obtained a big contract for buses for the capital.

To-day many hopes are pinned on the awarding of the contract for Venezuela's second big steel plant to be sited at Maracaibo in Zulia.

The good marks that British Steel got from the Mexicans for its work on the SICARTSA steelworks at Las Truchas have made a favourable impression on the Venezuelans in charge of the Zulia projects, and the British leadership in the Açominas steelworks now being built near Belo Horizonte in Brazil has strengthened British hopes for another breakthrough in Venezuela, but there have been no commitments yet.

British hopes are also high for contracts in the shipbuilding and steel fabricating industries. As Petróleos de Venezuela, the state oil concern, develops its offshore exploration activities, the British hope that North Sea expertise will be a decisive factor in bringing contracts to British yards or in selling British technology to

Presidential campaign nears climax

VENEZUELA'S presidential election campaign, a rare phenomenon in this region where pseudo-elections are the norm, is now approachin ga climax.

Voters all over the nation go to the polls on December 3 to elect a new Government that will run Venezuela for the next five years. The mandates of the present chief executive, Sr. Carlos Andres Perez, the National Legislature, State congressmen and governors and municipal officials expire in March 1979.

The new Government will take over the job of managing one of Latin America's wealthiest and most dynamic countries midway through the boldest development programme ever carried out here.

The 10 candidates entered in the all-important presidential race from a political spectrum that moves from the far left to right of centre.

Only two of those standing, though, have a chance at winning the candidacy. These are Luis Pinerua Ordaz, representing the ruling Accion Democratica (AD) Party, and Luis Herrera Campins, the standard bearer for the Social Christian Party (COPEI).

Both are long-time politicians in their early 50s, backed up by large political organisations.

Since the last dictator was overthrown in 1958, Venezuelans have elected four presidents, three from AD and one from COPEI.

President Perez won the 1973 elections 49 per cent of the vote in a field of 13 candidates. His closest rival was Copei candidate Lorenzo Fernandez, who gained 37 per cent out of more than 4m valid votes.

AD and COPEI are both reform-minded left of centre parties with national organisations and large followings. At the last count, AD claimed 1.3m registered members while the Social Christians counted on 700,000 to 800,000 partisans.

In past years the Social Christians have become far more liberal in an attempt to outdo the liberalism of their chief enemies in Accion Democratica.

Facing the two major parties are an array of leftist parties, some of which include former guerrillas among their leadership, two candidates seeking to attract followers of dictator Marcos Perez Jimenez (toppled in 1958) and two independent candidates standing for the first time.

The campaign has been a noisy, flashy and expensive exercise. Most of the presidential hopefuls travel widely, scouring slum cities and forgotten rural streets all over Venezuela for votes. The parties make wide use of radio, television and newspaper advertising, and are fond of organising mass rallies, picnics and loud auto caravans.

The two principal contenders, plus Diego Arria, a former Minister under the Perez Government, have devised a variety of slick media messages, many of them prepared for the lavish campaign by American advisors. All three candidates tend to play down the role of foreign campaign and media experts.

The latter maintain extremely low profiles, avoiding interviews on their frequent visits to Caracas.

Thus far, the main issues cropping up have been the good sturdy stuff of political campaigns almost everywhere: where has the Government spent its money? Or issues such as the state of public services, cost of living, jobs, education, housing and corruption in high places.

The Perez regime, richest in the country's history, has spent vast sums of money, and even gone into debt, as it implemented a massive industrial and agricultural development programme and, simultaneously, tried to remedy practically everything it thought was wrong with the country.

While the administration's intentions were good, it has failed to achieve much of what it set out to do. The country's leaders frequently proved themselves incapable of setting long-term priorities and seeing individual projects through.

On the positive side, though, President Perez will always be remembered for his highly successful nationalisation of the country's giant petroleum industry, for a dynamic foreign policy aimed at strengthening the position of developing nations and his initiation of the massive national development programme.

As a president who spent much of his time travelling to provincial capitals and towns, Sr. Perez has maintained a considerable degree of personal popularity at home even though he has been unable to solve many glaring problems such as shortages of housing and food, under-employment and badly deficient public services, and even though his administration has been widely criticised for waste and corruption.

Opposition parties recently complained sharply to the country's electoral council (CONSEJO SUPREMO ELECTORAL — CSE) after the administration launched a major media blitz emphasising the Perez Government's achievements.

The Government agreed to limit its advertising, but President Perez still appears regularly on television and in newspapers and magazines to review his past four years. (Although he does not surrender the presidency until next March, chief executives in Venezuela traditionally have watched their power seep away as soon as a new leaders is chosen.)

The media campaign served a dual purpose: (1) to tell Venezuelans the Government's version of what it had achieved and (2) to suggest that the official party—AD—had not only provided all this, but would obviously be the best choice for continuing programmes.

Even though President Perez is a leader of his party, he is officially forbidden by law from participating in the campaign, just as he is banned from running again for ten years.

Sr. Pinerua, a member of the Chamber of Deputies and former interior minister, has sought to stress that he will push forward with President Perez's programmes. An uninspiring campaigner, Sr. Pinerua places particular emphasis on resolving domestic problems such as crime, water shortages and housing, and on mounting a crackdown on official corruption.

Candidate Herrera, a senator and intellectual with a common touch, also offers voters a comprehensive public works plan and promises to end the abuses and deficiencies or the present Government. Hhe has fiercely attacked the Government—and its ad representatives—for spending more money than ever before in the nation's history, while failing to resolve major national problems.

He has cited the almost monthly "crises" affecting the Perez Government, such as food and water shortages and power blackouts; he has blamed it for higher prices and insufficiencies in public services.

Both majority candidates have adopted essentially similar programmes, laden with a heavy dose of populism. Unfortunately, neither one talks seriously about spending *less* over the next five years, but advances programmes that will require fresh sums of money from a Treasury already besieged by growing national obligations and foreign debt.

A sign of responsibility, however, has been demonstrated by both candidates with respect to the nationalised oil industry, Venezuela's most important source of revenues. Neither has suggested that his Government would tamper with the giant oil company and each has given indications that present policies will be followed.

Unlike most other Government concerns, the State oil monopoly has thus far remained miraculously free of political interference.

Although several months ago most political observers were predicting a slim but clear victory by the Government party candidate, the campaign has now turned into what one analyst called "a real horse race."

Over a year ago, the COPEI contender was leading his adversary in the polls by a few percentage points, but lost the advantage as AD's massive campaign took shape.

Now, however, only a few weeks from voting time, Sr. Herrera seems to be at a par with Sr. Pinerua and may even be pulling ahead.

In recent weeks the Government party hopeful was hurt by his refusal to engage in a direct national debate with the COPEI candidate. The Social Christians made considerable political hay on this issue, saying that the AD candidate's call for a "press conference" style meeting with no direct interchange between the two parties was a "cowardly" response.

Although neither candidate is an exceptional public speaker, Sen. Herrera has shown himself to be quicker and more flexible in many public appearances than his AD rival.

Other candidates vying for the presidency in 1978 are: Diego Arria, a young independent who held important posts under both the Perez Government and the COPEI administration that preceded it; Jose Vicente Rangel of the Movimiento al Socialismo (MAS); Luis Beltran Prieto, a senator who broke with AD in 1967 and who now leads the Movimiento Electoral del Pueblo (MEP); Deputy Americo Martin a one-time guerrilla leader, of Movimiento Izquierdista Revolucionario (MIR); and Hector Mujica of the Venezeulan Communist Party (PCV).

Other candidates are Pedro Pablo Salas Castillo of the Cruzada Civica Nationalista (CCN); Alejandro Gomez Silva of the Frente Unido Nacionalista (FUN) — both of the latter are running as heirs to Dictator Perez Jimenez — and Leonardo Montiel Ortega, a former senator now heading his own party, Morena.

The only "conservative" forces that might be culled from this group are FUN and the CCN, while MAS, MEP, MIR and the communists make up the far left elements.

Both Sr. Rangel and Sr. Martin represent young, Left-wing parties that have worked extensively among unions and the poor. Like the Social Christians, the two candidates have not found it difficult to take the Perez administration's record to task.

Both are appealing orators with a good chance to draw votes. Except for the two major parties, contenders in the 1973 campaign all drew small percentages. MAS's performance that year was good, though, since it garnered 4.2 per cent of the vote on its first time out, running on a small budget.

Sr. Arria is seen as an astute young politician with an excellent sense for the media. He has run his campaign on an individual and small meeting basis, shunning attempts for large rallies popular among other Venezuelan parties.

Principally, his message has been that the two major parties have consistently failed to carry out their programmes even after two decades in power. He suggests that the big party machinery is more interested in taking care of itself than effecting real change in the country.

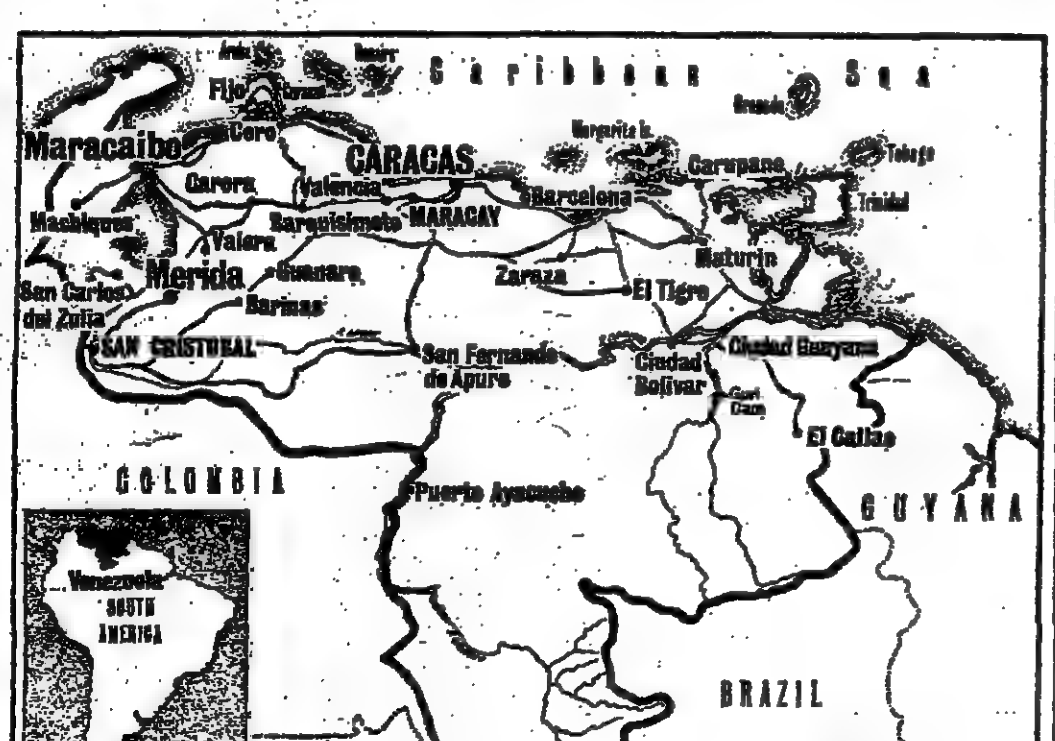
Sr. Arria's place in the polls —although still around 10 per cent—has been rising steadily in recent months, and prospects are good for moving further ahead. His candidacy was launched earlier this year after Renny Ottolina, a prominent and highly popular television personality, also ran on an anti-party platform.

Sr. Arria played an important role in the campaign of President Perez, who gained widespread popularity during the 1973 race, even growing long sideburns, wearing stylish suits and flashy, wide ties.

The Electoral Council recently announced that just over six million Venezuelans are eligible to vote, out of a total population of more than 13 million. Two key groups have emerged in the electorate which could make a great difference for any of the leading candidates. These are the young, voting for the first time, and the independents, who are estimated to number more than two million.

Half of Venezuela's population is now under 30 years of age, and the politicians have directed much of their energy toward new voters.

Joseph Mann
Caracas Correspondent



UK

CONTINUED FROM PREVIOUS PAGE

Venezuelan engineering groups.

With few very big contracts in their pockets British exporters content themselves with the fact that Venezuela is one of the world's largest markets for Scotch whisky, which has become the country's national drink. They also console themselves with the fact that all has not gone quickly or well for those who did win some of the big contracts.

The embassy meanwhile plugs away, doing its best to capitalise on the big industrial exhibition that Britain mounted in Caracas last year.

Officials point out that a much greater effort could be made by British business to start manufacturing with local partners in Venezuela. "At the present time there is a unique opportunity for British companies to have their goods made in Venezuela. Many of the Venezuelan manufacturers have their pockets bulging with money, and they are looking for new products they can turn out for an avid domestic market. It won't always be like that and the tariff barriers will be coming down soon, shutting out newcomers." Such was the appreciation of one man intimately connected with British trade.

Echoing the often repeated criticism that British exporters do not devote sufficient time and attention to the Venezuelan market, he added, "A big company may have to invest hundreds of thousands of pounds in developing the Venezuelan market and even then it may not get anything. But it certainly will not get anything without a big commitment."

Trade officials also warn against treating Venezuela like a sheikhdom in the Gulf just because it is an OPEC country. "Some companies come here and offer comprehensive package deals, for instance, for hospitals, without realising that the Venezuelans can do a big share of the work themselves. They want just a small part of the work done by foreign contractors."

On the Venezuelan side the reservations about the relationship with Britain are of a political rather than a commercial order. Despite the fact that there are good relations between individual ministers and officials in London and Caracas, the Venezuelan Government is often perplexed that a social democratic government in London has not given much of a priority to political understandings with a social democratic government in Caracas.

"It seems strange to me that in a democratic country like Britain so much attention is paid by officials and businessmen to relations with the military juntas and other right-wing regimes in Latin America. British political relations with us appear to be almost frigid," one senior Venezuelan politician remarked.

H.O's.

New interest in oil exploration

VENEZUELA'S STATE oil monopoly, Petróleos de Venezuela, recently initiated one of the most ambitious and costly development programmes ever undertaken by any petroleum company.

General Rafael Alfonzo Ravard, president of Petróleos de Venezuela (Petroven), announced at the end of August that his company would invest approximately $20bn in the Venezuelan oil industry over the next 10-12 years. Petroven was established more than three years ago to manage this South American country's giant oil complex, which was nationalised on January 1, 1976. From now until 1981 the State oil company plans to spend around $7.5bn. Two-thirds of this will be earmarked for exploration and production and the remainder for refining. Between 1982 and 1986 Petroven is projecting additional investments of $12.5bn.

After successfully navigating the difficult transition period from private to public ownership and logging excellent financial results during the first two years of its activities, Petroven is now moving to rejuvenate Venezuela's ageing petroleum industry following more than two decades of almost negligible investment in exploration.

Under the control of foreign oil companies like Exxon, Shell, Mobil and Gulf, Venezuela's most important industry passed through a long period of exploration and growth that began over a half centry ago. Towards the end of the 1950s, however, as foreign concessionaires saw that increasing State control would eventually lead to nationalisation in the medium term, these companies took advantage of their investments and pumped as much crude from Venezuela's deposits as they could manage. No major exploration was carried out.

Although Venezuela nationalised a modern, well-managed and profitable oil industry, it also inherited a severe problem—a rapidly dwindling supply of commercially useful crude oil reserves. At the end of last year the Ministry of Energy and Mines reported that proven reserves stood at 17.9bn barrels, down 1.3 per cent from 1976. New discoveries have failed to keep up with depletion (now about 816m b/yr) and the Government estimates that the country's reserves will last around 20 years at current exhaustion rates (2.1m b/d average).

Within the short term Petroven executives—all of them Venezuelans—were able to overcome a number of difficulties, including the co-ordination and consolidation of the 14 oil companies under their control, the guaranteeing of secure markets for national oil and a steady flow of sophisticated technology from the multinationals which had just been taken over, and day-to-day management of one of the largest and most complicated industries on earth.

Petroven's management also saw that the company must make long-term plans to reverse the downward trend in production and reserves, give the refining plant more flexibility for supplying foreign and domestic needs, gain expertise in international marketing and transportation of petroleum, and develop the managers, technicians and researchers a giant oil company requires. The answer to these challenges was Petroven's master plan, a $20bn investment programme designed to maintain the company's role as Venezuela's chief source of revenue, and to shape it into a more flexible and competitive participant in the world market.

This month the drillship Wodeco IX, leased by Petroven's largest affiliate—Lagoven—began sinking deep wells (over 5,000 metres) along continental shelf in the Delta Amacuro at the mouth of the Orinoco River. Drilling on the Delta will be followed by more offshore exploration at two points in the Caribbean, the Golfo Triste and the Golfo de la Vela.

These offshore activities constitute one part of a major three-pronged exploration effort designed by Petroven, an effort that will put more drilling rigs in action than ever before in Venezuela. In addition to offshore work, the company is executing a massive expansion of land-site exploration on 563,000 hectares adjacent to very large sectors already assigned to each of the four Petroven operating units.

Petroven affiliates completed 50 exploratory wells by the end of last year, started drilling 14 more and shot 5,493 km of seismic lines. The 64-well total for 1977 was up 20 from the previous year. The company reported that 20 of the wells were producers, showing a success rate of 40 per cent. The exploration scheme for 1978 calls for 13,000 km of seismic lines and 71 exploratory wells, including six new wells outside the old concession areas and five wells in virgin offshore sites.

Reserve

Stress is being placed on discovery of light and medium grade crude oils in order to improve Venezuela's reserve profile. Most of the country's reserves are currently made up of heavier crudes (approx. 47 per cent), while light oils account for around 22 per cent and medium crudes 31 per cent. (In terms of production, the breakdown in 1977 was: 36 per cent light crudes, 34 per cent medium and 30 per cent heavy.)

Delta operations will be carried on as far away from shore as anything in the North Sea, but climatic conditions here will be far better. Water depth will reach around 100 feet and studies thus far have indicated that constant wave action will be present.

Despite the problems and high costs inherent in offshore drilling, this area is an attractive potential source of new oil in the medium term. Estimates on offshore potential range from 6bn to 40bn barrels of light and medium oils, just the types urgently needed by Petroven.

The third aspect of Petroven's exploration programme is the Orinoco heavy oil belt (Faja Petrolifera del Orinoco). The belt is made up of a series of heavy oil deposits stretching across southern Venezuela to the north of the Orinoco River. These deposits principally contain extremely viscous crudes heavy in sulphur and metallic content. Up to now the belt has produced little oil of commercial value because of three main factors: difficulties in bringing the region's very heavy oils to the surface (steam injection and other thermal systems are required); problems associated with refining these crudes into useful commercial products due to high content of carbon, sulphur and metals; and a "go slow" policy established by the administration of President Carlos Andrés Pérez.

The potential of the Orinoco belt is tremendous: minimum estimates of reserves are in the order of 700bn barrels, while some industry experts now believe the belt holds literally trillions of barrels. The belt alone could provide Venezuela's oil industry with a source of production well into the next century, even assuming low recovery rates. So far relatively little has been done to assemble a complete geological profile of the area, and more experimentation must be carried out with respect to production and refining techniques. But as one analysis of the area noted, the belt's huge potential is "little appreciated within Venezuela and virtually unknown outside. . . . The fact is that the belt represents a production capacity equivalent to several Saudi Arabias."

Petroven is on the way to a very ambitious programme for developing the Orinoco reserves, but is giving little publicity to its plans.

The petroleum industry in Venezuela has always been a source of political contention, and the current administration faced sharp criticism from opposition political parties over its oil nationalisation scheme. Even now opposition forces charge that the Pérez Administration is still under the control of the foreign multinationals, since it opted to continue working with foreign companies in order to receive marketing and technology assistance. Development of the belt, Venezuela's last great petroleum reserve, could be converted into a highly volatile political issue, particularly during the current presidential campaign.

The Government will need some foreign technology for commercial exploitation of the Orinoco deposits and this factor alone is seen by the Government as a potential political embarrassment. Thus, not much has been made public here about plans for developing the belt en grande.

The incorporation of even a franction of the Orinoco fields to Venezuela's proven, economically exploitable reserves would place the country once more among nations holding the largest petroleum reserves.

Petroven is already running two pilot plants for developing the belt, and more plants, using steam injection to force very heavy crudes to the surface, will be put into service in coming years.

Like other countries racing to search for oil, Venezuela has found that competition is extremely stiff to obtain quality drilling equipment for both land and offshore exploration. Although most of the equipment to be employed in the near future will be leased, Petroven plans to purchase rigs of its own and train Venezuelan crews for land and offshore work.

The company's exploration programme—especially its offshore drilling—is an extremely costly venture. Lagoven's Delta Amacuro plan calls for sinking six deep wells over two years at a total cost of more than $58m. This means that each well carries a price tag of nearly $10m.

Petroven is projecting massive capital expenditure for exploration as the overall programme takes shape. The company invested $96m in exploratory activities in 1977, and will spend more than $198m this year. Figures for coming years will expand geometrically.

The Ministry of Energy has estimated that the capital cost of each barrel/day of offshore oil will be between $5,000 to $7,000. This means that if the average price per barrel works out to $6,000, then the capacity to produce 100,000 b/d (about 5 per cent of current output) will require some $600m before a single barrel begins to flow for commercial use. Moreover, commercial production from a new offshore field cannot develop overnight, since infrastructure such as pipelines,

CONTINUED ON NEXT PAGE

Flexible marketing policy

NOW IN its third year of operation Petroleos de Venezuela (Petroven) has successfully implemented an international marketing strategy which guarantees the company full control over a hefty share of foreign sales.

By the end of last year Petroven, which became one of the world's largest oil companies when it took over Venezuela's $6bn nationalised oil industry in January 1976, had sold over 500,000 barrels a day (b/d) of crude oil, refined products and gas liquids to new customers. This meant that a country which previously depended on the marketing network of the international oil giants had carved out a secure market for about a quarter of its exports.

The company is now selling about 37 per cent of its exports to 50 foreign clients. The remainder of its foreign sales is being handled by multinationals such as Exxon and Shell, who lift specified quantities of Venezuelan crude and refined oils under terms of marketing contracts originally signed in 1975-76.

One of Petroven's directors, Dr. Alirio Parra, told the Financial Times that the concern had begun a diversification of its export market in order to achieve greater flexibility as an international oil company. Still a new company on the international scene, the State oil monopoly nonetheless has demonstrated that it is a responsible, experienced and efficient supplier to a range of new customers. He added that Petroven has no intention of ignoring its traditional clients—especially in North America—and that it planned to be a source of energy to the U.S. market "for a long time to come."

Exports last year totalled 1.98m b/d, down 7.8 per cent from 1976. However, an increase in revenue in 1977 more than compensated for the decline in exports, giving Petroven the highest per barrel income in the country's history. Exports to Europe fell off sharply last year, while sales to the U.S. and Latin America increased.

As for Venezuela's total exports in 1977, including crude oil, refined products and natural gas liquids, 37 per cent went to the U.S., 32 per cent to the Caribbean (much of this is crude oil which is refined and shipped to the U.S.), 12 per cent to Canada, 10 per cent to Central and South America, 7 per cent to Europe and 2 per cent to other regions. This distribution pattern is not radically different from that set in the years immediately before nationalisation.

Most of Petroven's new clients are "final users" (as opposed to intermediaries such as oil traders) in the U.S., Latin America and Europe. They include small refineries, regional power authorities, distributors and Government entities. About a fifth of these are State oil companies in Spain, Brazil, Argentina, Uruguay, Italy and other countries.

Earlier this year, Petroven and its Brazilian counterpart—Petrobras—signed a contract under which Brazil would purchase Venezuelan oil valued at about $150m a year. Under the agreement, Petrobras is buying a total of 34,000 b/d of Venezuelan oil, quadrupling the previous level of sales. The Brazilians are buying 20,000 b/d of medium weight crude under a one-year renewable contract which took effect in July. Petrobras also agreed to a bulk shipment of 1.2m barrels of heavy Boscan-type Venezuelan crude and fuel oil, and extended its earlier agreement to buy 8,000 b/d of crude destined for Brazilian refineries.

Agreement

Venezuela also worked out an agreement with Spain three months ago on the following lines—after a delay of over a year. Petroven is supplying 10,000 b/d of oil to the Russian Government fob Venezuelan ports for sale to Cuba. At the same time Russia supplies Venezuela with the same quantity of Russian crude fob Black Sea ports for shipment to Venezuelan clients in Spain. This agreement, originally drafted during President Carlos Andres Perez' 1976 visit to the Soviet Union, had been delayed while the parties argued over prices. The plan will cut freight costs for both the Russians and the Venezuelans.

Throughout 1977 Petroven set prices on a quarterly basis for crude oil and refined products other than residual fuel oil, Venezuela's most important petroleum export. Residual prices have been established on a monthly basis since October 1976 "to permit flexibility in response to changes on the market for fuel oil," according to the company.

Industry observers say that Venezuela, like other OPEC members, shave prices on items like fuel oil when international market conditions become tight in order to guarantee continued sales at satisfactory levels. The Venezuelan Government, however, asserts that it does not grant any discounts on oil and keeps its pricing system strictly within guidelines set by OPEC. Naturally, Venezuela's leaders are not eager to provoke dissent among members of the oil producers group and are sensitive to questions about discounting, even though the practice is common among international petroleum companies and OPEC countries seeking to maintain their revenue flows.

Petroven, which manages one of the world's most sophisticated petroleum industries, sells more than 60 types of crude oils and between 80 and 100 specifications of refined products. Three of the holding company's largest corporate units—Lagoven, Maravan and CVP/Llanoven—handle Venezuela's sales to foreign clients. Except for CVP, these companies were subsidiaries of major foreign oil companies before 1976.

Petroven has come a long way in the three years of its existence. (Although the Venezuelan oil industry was nationalised on January 1, 1976, Petroven was established in August of 1975.) At the outset the State oil monopoly was almost totally dependent on the multinationals for distribution and sales of Venezuelan oil abroad. Now, however, the company sells more than one-third of exports through its own marketing channels, and has options for taking on numerous new clients.

Some local critics say that the concern could easily increase its direct sales to foreign customers, thus relying even less on the multinationals. A company official, though, indicated that Petroven is content with its current marketing mix and is in no hurry to squeeze out the overseas services of foreign oil concerns. In addition, the Venezuelans are more interested in securing stable, regular customers than in simply trying to sell as much oil as they can to anyone who comes along.

Under the presidency of Gen. Rafael Alfonzo Ravard, Petroven has initiated a major investment programme ($20bn over the next 10-12 years) designed to keep Venezuela's main source of income strong, efficient and competitive. The company has already begun the largest land and offshore exploration effort conducted since the 1950s in order to raise the level of light and medium crude oil reserves, now being depleted rapidly.

Important

It is spending heavily on changes in the most important of the country's eleven oil refineries, and attempting to recondition costly petrochemical facilities which have accumulated hundreds of millions of dollars in losses. Alterations of refining patterns will provide the nation with greater flexibility as to the kinds of refined products it can offer foreign customers. At the same time, the refinery system is being adjusted so that growing demand for petrol at home will be met. (Ironically, Venezuela would need to import petrol for domestic consumption during the early 1980s because of the very high rate of growth in domestic demand. Most of the country's refinery capacity is currently designed for producing residual fuel oils needed on the American market.)

Besides looking for new crude reserves and altering refinery output, Petroven is increasing the size of its tanker fleet (14 new bottoms will be added between now and 1982; four of these are to be delivered before the end of this year), investing in research and development by Venezuela nationals, gaining new marketing expertise and modernising the giant industry in dozens of ways.

"What we're seeing here is the birth of a new multinational oil company" an industry executive said. "The Venezuelans aren't investing just so they'll have a profitable industry ten or 20 years from now. They're moving towards more control of their markets, giving themselves some of the flexibility of the big foreign companies and gaining experience in the international market. Petroleos is already one of the biggest groups in the world. If their plans work out, they could become a serious world competitor over the next couple of decades."

While Petroven is clearly moving toward a position of greater independence among international oil companies, it will not be ready to dispense with the services of the multinationals for a considerable period of time. The company currently pays Exxon, Shell and other foreign concerns for their overseas marketing services and technical assistance. Petroven executives realise that these services are vital and have no desire to discontinue them until the country is prepared to provide them itself. Fortunately for the industry, Venezuela's political leaders have not permitted frequent attacks from opposition parties—especially those on the far Left—to blur their appreciation that Petroven still needs help from the "foreign devils."

The creation of a sophisticated oil industry research and development centre, now in its early stages, will take Venezuela many years. Furthermore, the country may never wish to attempt to establish an international marketing network to rival that of the major oil companies.

For the present Petroven seems content with managing 35-40 per cent of its overseas clients and leaving the rest to the Exxon and Shell marketing systems. But as the company gains more experience and confidence in years to come, we may see the emergence of a Venezuelan version of Getty or Occidental in the international petroleum club.

Joseph Mann

VENEZUELA V

Railway projects take shape

NEZUELA'S PLANS to ld a national railway and a ro for its chronically gested capital—both projects ch have attracted their fair re of scepticism—are inning to take shape amid a wing public awareness of ir beneficial effects in terms energy savings. The plan to ld some 4,000 km of railways, ceived by the National Rail- Institute (IAAFE) in 1975, viewed by some as pure tasy and a prime candidate axing if public spending s came. Projects to build a tro under Caracas had been posed with regularity since war and many believed the rent project would go the of the others.

ut earthmoving began in ober. 1976 in Pro-Patria, at western end of Caracas, and ld progress has been made e then in the civil engin- ing works. Traffic has tainly been disrupted by face work, but then aquenos are used to hold-ups acceptance has grown of idea of savings in use of rocarbons (which the tral Bank has estimated at 0m between 1982-85).

Vith the number of vehicles ulating in Caracas projected soar from 450,000 now to .000 by the year 2000, the ected volume of passengers ng the metro by that year 7m daily) will help signi- ntly in limiting petrol sumption.

ut the first contract for the km line from Ciudad yana in the iron and steel to San Juan de los Morros, km southwest of Caracas, still not been signed with Canadian-Spanish-Venezuelan sortium early this October. s had been invited back in ember 1976, attracting ten- s which ranged between 0m and $2.6bn. The nezuelans were looking for price nearer $500m and called bids void in April 1977, viting the two lowest bidders, e Canadians and the Spanish, renegotiate. So far they have ken almost 18 months to do so. The Ciudad Guayana-San ian line is strictly intended r freight, the idea being that ce the Siderurgica del inoco steel expansion and uminium projects come on eam in the early 1980s bulk l transport will be laid on the industrial heart of the intry, cutting the road trans- rt costs and saving the eady congested parts from further traffic. However, construction start has already been delayed more than a year and the railway could not be ready before early 1984 even if work started tomorrow. By that time, domestic demand for steel products is projected to have reached 3.5m tonnes a year, which together with consumption of aluminium products by manufacturing industry implies a heavy burden on the ports.

Initial delay in the negotiations reflected cost considerations, with the Government having set aside only $280m in the Fifth National Plan for the entire railways plan between 1976-80, which includes also lines from the phosphate mines at Riecito in Falcon State and the Moron petrochemicals complex and an extension of the already existing 173 km Puerto Cabello-Barquisimeto line in Yaracuy to Acarigua. Even though expenditure on the Ciudad Guayana line would clearly spill over into the 1980s, and the original budget allocation was not intended to represent total outlays, the Government was unpleasantly surprised by the new cost estimates.

Concession

The main concession worked out by the Canadians and Spanish was to reduce the average design speed of the trains from 200 km per hour to 120 km/hour. The Government planners also wrote into the contract requirements that Venezuelan suppliers should be given preference where possible, in response to strong complaints from the local association of mining and metallurgical industries that they were being squeezed out.

Late last year the Spanish and Canadian groups came up with a proposal that would divide the contract into shares roughly of 40-40-20, with the Venezuelans taking the minority participation. The Canadians would be responsible for overall design, supply of locomotives and rails, the Spanish for training, technical consultancy, manufacturing the wagons, signals and telecommunications, and the Venezuelans for the civil engineering works.

At this stage all seemed set for signing the agreement. But cost negotiations dragged on, and were helped by hitches such as indecision over which country's cost of living index to use as a basis for escalation.

The announcement in January by the then president of IAAFE, Roberto Agostini, that all was ready for setting up the railway company and signing a contract rapidly proved premature and added to speculation that the plan was being dropped. The Canadians became seriously worried that funds for the project would lapse, though were comforted to see that around $200m were set aside in the 1979 budget.

Just when all concerned were confident that the contract would be signed in July, President Pérez ordered the unexpected dismissal of IAAFE head Sr. Agostini for allegedly dragging his heels on the railways plan. Agostini's downfall was caused by delays and heavy cost overruns on the Yaritagua-Acarigua line, which was to have been completed by June this year but was only 40 per cent finished by that time. Negotiations on the Ciudad Guayana line were held up and further complicated by last-minute legal hitches.

Nevertheless, the new man in charge, Sr. Cesar Quintini Rosales, said recently that the contract would be signed before the end of October and has also been talking confidently of new railway projects, notably extensions beyond San Juan de los Morros to San Carlos, just south-west of the Valencia/Maracay industrial belt, and on to Barinas in the foothills of the Andes. The first contract will probably be a feasibility study evaluating different routes, as even at this late stage a final decision has not been taken on where to route the line after Anaco or El Tigre in the Llanos. A possibility is to run the line up north to Barcelona's industrial zone.

By dividing up the project in this way budget control is made easier — a five year budget always tends to get stretched — and the Government can always decide to limit the project at a later date if necessary.

No such talk has emerged on limiting the metro project, with work progressing well on the 22 km first east-west line between Propatria and Petare, as well as a start made on the north-south Caricuao-Centro branch and studies under way for the La Rinconada-Panteon line, all of which is now estimated to cost some $2bn.

Around 50 per cent of tunnelling in the west has been completed (some 4 km) and construction of nine stations is under way. By the end of 1978, say Caracas Metro Company officials, a total of 12 stations and 10 km of underground excavation will be in progress. Present schedules envisage that by end-1982 the first Pro-Patria-Chacaito branch will be completed, followed by the Chacaito-Palo Verde branch a year later.

The only real clouds on the horizon have been some disgruntled opposition to the $250m contract for the supply of rolling stock, track and train control to France. The French group, led by Societe Generale des Techniques et d'Etudes (SGTE) managed to beat off fierce competition from West German, Japanese and other bidders, but provoked some ill-feeling among interested parties who claimed the French bid was impossibly low and heavily subsidised by the French Government.

Complicated

The cost to the Venezuelans is guaranteed against currency fluctuations through a complicated forward exchange contract whereby the central bank buys the francs required to pay for the equipment at its rate back in July, but with an accumulative 2 per cent discount per year that covers the Venezuelans against appreciation against the dollar (to which the bolivar is presently tied at 4.3).

This sweetener won out against a last-minute offer by the German group, led by Siemens AG, to match the sale of equipment with a purchase of mainly heavy oil by another German company. Sources involved with the project are now worried that France's "offer that cannot be refused." undoubtedly formulated with the motivation of providing work for depressed industry at home, will lead to French supervision of installation and original specifications being changed.

A contract was signed in October with FRAMECA, a consortium of French companies led by SGTE and Cie. Electro-Mecanique and including 14 other companies. This covers the manufacture of 242 carriages, of which 140 will be used on the ProPatria-Chacaito branch; the consortium has an option for the Chacaito-Palo Verde branch and also for the Caricuao-Centro line, construction of which was due to begin in November.

Keith Grant

Oil exploration

CONTINUED FROM PREVIOUS PAGE

minals and pollution control uipment must be installed.

Another important aspect of troven's policy is secondary covery. Secondary recovery re- s to methods such as injec- n of steam, water or deter- nts into petroleum deposits to ce more oil from the mations. These techniques used after free flow and mping have reduced the antity of crude easily ex- ctable from a particular oil- ld.

Secondary techniques, now be- applied to about 45 per cent Venezuelan crude production, ow recovery of 40-50 per cent the oil in a deposit. Primary covery (free flow, pumping) ually brings up about 22 per t of the crude from an oil- ld.

With 11 refineries and a roughput capacity of about m b/d, Petroven counts on e of the largest petroleum fining plants in the world. The company is currently hold- g talks with Exxon and Shell the possibility of buying rtial or total control of the o large refineries these mpanies operate on the ands of Aruba and Curacao the Netherlands Antilles.) fineries are now operating at ound 73 per cent capacity and st year processed an average 967,000 b/d.

The company has already gun a $3bn programme retching over the next ten ars which will transform the untry's refining capacity. Cur- ntly, much of the nation's fining plant is devoted to con- rting medium gravity crudes to products which are about per cent residual fuel oil.

The goals of Petroven are to crease petrol and diesel fuel oduction so as to keep up th galloping domestic demand, ile processing greater quan- ies of heavy crude as the untry's reserves of light oils ntinue to shrink. The point to produce more petrol at e expense of high sulphur sidual oil. Petroven wants to this without raising the level crude runs, and by substitut- g heavier oils for lights and edium crudes in refinery runs. e current programme, costing about $1.1bn is expected to raise petrol production by over 100,000 b/d.

Under way now is a remodeling of the Amuay refinery, the nation's largest, at a cost of $772m. This alteration in Amuay's refining patterns should increase petrol output by 57,000 b/d. The Fluor Corporation is the principal contractor.

At the same time, Petroven is spending $210m for alterations at the El Palito refinery, where Foster-Wheeler is the main contractor. El Palito is expected to turn out 53,000 b/d of petrol by mid-1980. Work will also be done to Maraven's refinery (Cardón) and at the installation in Puerto La Cruz.

Excellent

For the second straight year following nationalisation, Petroven showed excellent financial results. The company's consolidated net profits last year were $1.8bn, up from $887m in 1976. Export sales growth accounted for the increase in profits. Sales in 1977 were $9.2bn, against $8.8bn the previous year. Even though export volume fell by nearly 8 per cent in 1977, this was offset by an improvement in the average sales price, which rose from $11.15 per barrel in 1976 to $12.54 per barrel last year. Of Petroven's 14 operating subsidiaries (now being consolidated into four super-companies) 11 showed profits totalling $1.12bn and the remaining three registered losses totalling $4.7m.

This loss statement, however, did not indicate that the industry's domestic petrol business took a serious loss last year (estimated at more than $90m). Since nationalisation, the industry has been forced by government policy to sell petrol locally at below cost. Current price for a U.S. gallon of regular petrol is about 15c (U.S.) while premium sells for around 33c. Petroven executives and high government officials, including Energy Minister Valenti Hernández, have called for increments in petrol prices so that the hefty investments in new refining capacity can be justified. So far, though, the Pérez administration has decided to absorb the loss (including a small subsidy paid for each litre sold) as part of its anti-inflationary measures.

In addition to its own generally favourable financial picture, the company has continued to provide the national treasury with the bulk of its income, thus supplying the Government with the funds it needs to carry out a spate of costly development projects. The industry has increased its personnel (25,225 persons at year-end 1977, up 7 per cent) but these additions have been in line with company policy. So far the concern has been highly successful in avoiding pernicious political interference, and has received backing on this point from the Pérez Government.

In spite of the positive factors in its favour, however, Petroven's future success is not fully guaranteed. New governments (such as the one which will take office next March) may not resist the temptation to tap the company's cash or profit resources when funds run low at the national treasury. The company thus far has paid its taxes and been allowed to run its own affairs.

In addition, industry observers ask how the company will be able to prepare the cadres of experienced managers it will need as rapid expansion occurs in the coming years. One oil company executive noted that it takes 10 to 12 years to train an experienced manager. Other observers ask if Petroven's massive development plan is too ambitious. Will it bog down, like many programmes elaborated by the Pérez government, due to lack of human resources, bottlenecks, etc? Are the firm's highly qualified executives taking on too much in the flush of recent progress?

The Government's decision to place the debt-ridden petrochemical industry in the hands of Petroven has also posed a new dilemma. Venezuela's state petrochemical company has lost hundreds of millions of dollars over the past few years and has never come close to producing at a satisfactory level. Petroven now must not only carry out its own master plan, but also try to refurbish the biggest industrial white elephant in the Government's barn.

What of the threat of Mexican oil? As Mexico's crude production rises, it can expect to sell a significant share to its neighbour to the north, the U.S. U.S. customers have always been the most important market for Venezuela, and Petroven planners do not expect to lose much business to the Mexicans.

One harsh critic of the nationalised industry, however, is not convinced by the arguments of Petroven executives or of Pérez Administration officials. Dr. Juan Pablo Pérez Alfonzo, former Petroleum Minister, moving force behind the establishment of OPEC and long-time advocate of nationalising Venezuela's oil, recently held a press conference in which he lambasted the leadership of Petroven and the Pérez government on oil policy and a batch of other items.

The former Government official, now retired, claimed that real income per barrel of Venezuela oil (as adjusted for inflation) had fallen since OPEC raised prices in 1973. He also had sharp words for the "bureaucrats" who manage Petroven and accused them of acting in response to foreign interests. Dr. Pérez Alfonzo, who rejected the Government's multi-bn dollar development scheme soon after it was made public, also attacked the Pérez regime for waste, overspending getting the country into debt and allowing the oil industry to follow the wrong course of action.

While some of the former Minister's figures are based on his own calculations and are most difficult to verify, other points in his broadside were clearly valid. His estimates on oil industry "losses" were disputed hotly by Government representatives. Unfortunately, though, the administration preferred to shrug off the elder stateman's criticisms, even where the analysis carired the unmistakable ring of truth.

J.M.

Wooing the voters in Zulia

WITH THE onset of this December's presidential elections, the State of Zulia is all of a sudden being courted by politicians and legislators alike.

The source of 80 per cent of national oil production and the traditional heart of this industry of 50 years, Zulai has nonetheless tended to have been left on the sidelines by local business and political leaders.

Accommodating 12 per cent of the national population, it is not surprising that Accion Democratica candidate Sr. Luis Pinerua Ordaz, recently spent an unusually long 12 days there, followed shortly afterwards by former COPEI president, Rafael Caldera, in efforts to woo the voters.

The issues that interest these voters are not unnaturally what the Central Government intends to do for the State. Although a visit to the state capital, Maracaibo, proves abundantly that strong expansion is underway (manufacturing industry in Zulia has been growing at a rate of 20 per cent a year recently), Zulianos point out that they provide only 10 per cent of gross domestic product and that there is potential for far more than cattle grazing and nodding donkeys.

The oil industry is set for further expansion in the State with exploration underway in new areas such as the Perija district, west of Maracaibo, and in the southern part of the lake, but local businessmen also want a diversification into new industrial endeavours.

The action of President Perez has demonstrated his agreement with this proposal, with two factors emerging to promise Zulia an industrial and commercial boom on the scale of Guyana. First, the energetic campaign by the regional development authority, Corpozulia to formulate integrated development programmes and, second, the determination within Accion Democratica to eradicate COPEI's strong advantage in Zulia by acting on these programmes.

The momentum for interest in Zulia came with the formulation by Corpozulia of an ambitious coal and steel project that will eat up an estimated $2.6bn by 1984 (assuming the project is underway shortly), as well as a further $830m on road, rail, water, thermo-electric and other infrastructure projects in the area, according to Corpozulia projections.

As an integrated project, coal will be used to fuel the steel blast furnace and production—1.25m tons a year of crude steel from 1983—intended to provide a springboard for local manufacturing capacity.

To some observers, viewing the experience of the petrochemicals fiasco in Zulia (where the El Tablaco complex has been continually plagued by stoppages and design failures), and problems experienced in the Siderurgica del Orinoco (SIDOR) expansion, the Zulia project has come to fruition far too quickly.

It is felt by some local experts that too much attention was paid to optimistic projections of demand for steel products made jointly by SIDOR and Corpozulia. These put demand at 5m tons by 1981, rising to 8m by 1985 and 10.3m by 1989.

But according to Sr. Fernando Chumaceiro, a Maracaibo lawyer who has been president of Corpozulia since its foundation in 1970, the projections were, if anything, conservative. "Steel products turned out by Siderzulia will complement those of SIDOR, and by the mid-1980s we expect supply and demand to be about in equilibrium," he said.

With two state-owned steel companies supplying the local market (original ideas for earmarking some production to exports now being discounted) steps will be taken to ensure smooth marketing, probably through a new distribution company with warehouses in the centre of the country.

Scepticism about the Zulia plant has also been expressed on the grounds that labour problems are likely seriously to affect productivity, in the light of experience at SIDOR where absenteeism and high job turnover last year helped cause a loss of $60m.

Sr. Chumaceiro insists that these problems will not be as acute in Zulia, despite the attraction to skilled personnel of top wage rates available in the oil industry, although he felt that action will have to be taken sooner or later to raise wage levels in the steel industry.

He saw the problem as being more of SIDOR workers wanting to leave Guyana for Zulia, noting that SIDOR and Corpozulia have already concluded a gentleman's agreement that neither will poach: three months must have passed since a worker left either plant before he may join the other.

Aside from the practical considerations of building a major steel plant, the project has not surprisingly proved to be something of a hot political potato, with some hefty scepticism expressed by the opposition parties about the way the Government pushed through a project with obvious appeal to Zulia voters.

Concern was also expressed by the left-wing Movimiento al Socialismo party that the Government decision to seek foreign equity participation in the steel project would lead to loss of national sovereignty over a basic industry.

Yet to the surprise of some observers, the Zulia Coal and Steel Bill was pushed through Congress in July, just before the summer recess, despite competition from other pressing legislation such as the 1979 budget and the municipal reform law. COPEI was hardly in a position to object without currying disfavour with the Zulianos, and debate in congressional committees was somewhat half-hearted.

In some quarters, it was nevertheless felt that an undertaking of this size should have been thoroughly debated on a national level before passing through Congress. As the father of OPEC, Juan Pablo Perez Alfonzo, points out that Venezuela is proposing to spend its providential oil wealth on steel development right in the middle of a world recession.

Among the planners, original optimistic ideas of earmarking excess SIDOR and Zulia steel output for export have now come the full circle with concern that, with a sharp slackening in manufacturing industry growth last year to 4 per cent from 11.9 per cent in 1976, domestic demand may not reach projections and that markets overseas may have to be sought for some steel products.

Second

The project, as it stands today, involves the installation of a 1.2m tons a year blast furnace and production from 1982 of 640,000 tons a year of bars and rods. Providing demand fulfils expectations, a second stage in 1986 would add a further 2.2m tons a year of flat products, and a third stage in 1990 another 1m tons a year of wire rods and bars. Total crude steel capacity by that year would be 5m tons a year, the same as that planned for Sidor by 1980.

The coal and steel project took shape rapidly after Corpozulia-sponsored studies established three years ago that north-west of Maracaibo in the Guasare District was one of the most important bituminous coal deposits in Latin America. Subsequent tests determined probable reserves of 1bn tons and theoretical reserves of perhaps 3bn tons.

Grasping the significance of the coal reserves, Corpozulia pressed its previously marginal case for a steel plant in Zulia and was rewarded with a presidential decree in January, 1976, authorising it to complete feasibility studies on an integrated coal and steel project and proceed towards opening tenders.

President Perez, in his March, 1977, address to Congress, gave his open blessing to the project and urged that construction should begin in late 1978. Theoretically it could have done so. Corpozulia has kept within its timetable, narrowing down the nine international offers, received in January this year, to four.

The original idea of tendering the project out in stages was rejected in favour of a package deal whereby a group of foreign steelmakers and financing companies would manage the construction project and put in an equity stake.

Maximum foreign participation was put at 49 per cent (the Government, through Corpozulia and the Venezuelan Investment Fund to take the remaining 51 per cent), with the total equity making up 30 per cent of the entire cost and long-term financing the remaining 70 per cent. This implies a maximum foreign equity stake of $370m, upon which most of the international groups are none too keen.

There are theoretically four groups left in the running at this stage: A group led by Banque de Paris et des Pays Bas, another led by Davy Ashmore International, a third led by Krupp and another by the Italian State-owned Italsider.

Corpozulia completed its report on the bids back in June, and since then there has been little activity. Rumours circulated in July and August that the contract was going to be awarded to Krupp, which included several influential Venezuelan interests in its group and was reported to have offered a commitment to the full 49 per cent equity participation without a special ministerial commission having an opportunity to study the bids.

However, the commission has now been set up under the presidency of the finance minister, Luis Jose Silva Luongo.

A decision can now be expected shortly after the selections, although one senior Government minister has been reliably reported as saying the project will now go into interminable discussion and may never reach full fruition.

Among the interested international steel groups, a school of thought exists that a selection may be made but that actual implementation may be delayed by a new Government, conscious of the need to economise on public spending (analysts note that in the Zulia legislation financial and chronological detail is very sketchy and that there is no mention made of the sensitive issue of low domestic prices, which contributed to SIDOR's loss last year).

In addition, the coal project has been declared economically feasible in its own right and could therefore proceed with or without the steel plant. Nevertheless, Chumaceiro recently announced that Corpozulia had been authorised to seek credit totalling $70m to cover land expropriation and initial site works connected with the steel plant, mentioning also that he had received instructions from the president to begin the project as soon as possible.

Keith Grant

Farm reforms needed

AT FIRST glance Venezuela seems to have made an astonishing recovery from the disastrous harvests of 1975 and 1976 which caused the Government's plans for an industrial revolution based upon a fast-growing agricultural sector to come badly unstuck.

The out-going Government of Carlos Andrés Pérez can rightly point to an impressive list of achievements. In the current election campaign, he and his party are quick to point to the results of an ambitious road-building programme, the provision of new marketing and sanitation facilities, the expansion of irrigation schemes and the construction of a large number of rural schools. Now, as an added bonus, they can point to a significant increase in food production. All indications are that maize and rice production this year will reach historic levels. Sorghum, hailed as the wonder crop that will replace costly wheat imports and be developed as a substitute for food concentrates for the still underdeveloped livestock industry, has experienced a spectacular increase in both yield and tonnage. According to the National Federation of Cattle Breeders, the livestock industry as well seems at long last destined to emerge from the doldrums.

Committing maximum available resources to the agricultural sector in order to generate rural-based industries which could take up the slack once the benefits from the oil bonanza disappears has been the lynchpin of the Pérez economic strategy. Estimates indicate that his Government has invested up to £2.5bn a year in the agricultural sector. He had little choice. The national planning authority predicts that by the year 2000 the population of Venezuela will have more than doubled to reach 28m. If Venezuela is to reach European levels of consumption, agricultural production must be increased 4.5 times over. Such an increase assumes a growth rate of over 6 per cent per year. Between 1960 and 1972 Venezuelan agriculture expanded at a rate of only 1.8 per cent per year. Aware of past poor performance and the fact that no country in the world has ever maintained such a rate of growth over an extended period of time. President Pérez has pulled out all the stops.

While recent statistics provide some encouragement and indicate that the gamble may at long last be paying off, the underlying trend is still disturbing. Venezuela is more dependent than ever upon the importation of basic foodstuffs. In 1976 the Government authorised the free import of almost 30 basic foodstuffs to alleviate the shortages caused by the floods. The temporary measure now has an air of permanency, if not urgency, about it. Whereas Venezuela imported 46 per cent of its basic foodstuffs in 1971, in 1977, a relatively good year for agricultural production, the figure increased to 63.8 per cent and promises to be not far short of 70 per cent for the current year. Venezuela now imports 47 per cent of the maize it requires, 76 per cent of oils and fats, 36 per cent of chickens, 27 per cent of eggs, 43 per cent of sugar and probably, allowing for smuggling across the Colombian border, 38 per cent of its beef consumption. Even that most Venezuelan of legumes, the *caraota negra* is now being flown into the country to supplement a shortfall of 70 per cent. Paradoxically, the increase in imports seems to correlate perfectly with the increase in Government investment in the rural sector.

Puzzled

The Government, professional organisations and the trade unions are puzzled by the failure of the massive injection of investment into the rural sector. Some have argued that the key to the problem is that the backwardness of the existing rural infrastructure makes it impossible for the countryside to absorb the enormous amount of money that the Government has made available through a bevy of credit and aid organisations. A leading banker recently commented that, in his view, the countryside is drowning in money. In many areas one finds that the local representatives of the Instituto de Crédito Agricola y Pecuario (the Institute for Agricultural and Livestock Credit) literally force loans upon unwilling farmers to purchase machines that in many cases they cannot use.

According to some commentators the credit system itself is hopelessly corrupt. Caracas newspapers have been assiduously reporting accusations that up to 40 per cent of allocated funds never reach their beneficiaries. There is evidence that credit is often illegally withheld and that ICAP funds, normally given only to small farmers, find their way into the hands of large corporations. It is apparently common practice for some ICAP officials to serve as "loan brokers." In many areas of the country up to 80 per cent of the loans are not repaid.

Food prices have been held at an artificially low level. In real terms, prices paid at the farm gate are little more than half of what they were in 1970. Without incentives, farmers have tended to retreat into mono-production. It is rare for farmers to even produce basic vegetable and food crops for their own consumption. A recent study estimates that over 60 per cent of their daily food intake is supplied by imports. A current joke is that without the influx of the industrious farmers from the Canary Islands there would be no food produced at all.

A government body has suggested that the failure lies in an education system that is largely irrelevant to rural needs. The Government has failed to provide an integral form of rural education and to provide facilities to encourage peasants to remain in the countryside. As the President himself has stated, the drift to the cities and into unemployment or underemployment continues unabated, and Venezuela, where the average age of the population is just under 18, has a rural population with an average age of 50. He argues that the problem of developing a rural sector from scratch is difficult and cannot be accomplished in the space of a few short years.

Mors cynical observers claim that the problem is that the Venezuelan political establishment must try to satisfy two very different requirements. On one hand, the two major political parties need to satisfy a rural vote that is demanding a higher standard of living and higher food prices. On the other hand, they must satisfy the growing number of unemployed or underemployed slum-dwellers who demand cheap food. To satisfy this electorally important clientele both the Acción Democratica and the COPEI have resorted to the massive importation of subsidised foodstuffs and holding domestic prices at an artificially low level. Such a policy is viable so long as Venezuela can rely on large surpluses, but it hardly provides encouragement for increased food production.

Cheap

To pacify the rural sector the Government has set up a cheap credit policy. The ICAP automatically grants loans up to Bs 75,000 to any small producer who makes a request and charges an interest rate of only 3 per cent per year. Although the rationale behind the policy, that the small farmers alone have the possibility of producing basic foodstuffs both efficiently and cheaply, is correct, without guidance and advice the policy has gone awry. Money is spent irrationally on producing the wrong crops and/or for the purchase of expensive farm machinery and lies idle for up to 20 per cent of the year. Farmers are led to believe that machines are expendable, land can be replaced and there is no need for maintenance and repair. Since repayment of loans is rarely demanded, there is little incentive to develop productive resources and use them to their full potential.

In the private sector the situation is equally bleak. The Government requires that all private banks must lend up to 20 per cent [illegible] to the agricultural sector. They find this difficult to do and often, as one banker commented, resort to the subterfuge of wining and dining farmers in Caracas.

Without the incentive provided by a realistic price system, farmers see no reason to produce more than an absolute minimum. Young people, unhappy with the low level of rural income, leave for urban areas and the potential for increases in production and diversification are destroyed. There is a net loss of knowledge as the old intensive practices that once provided many basic foodstuffs disappear. Venezuela is probably one of the few countries where rotation and intercropping are not practised extensively and where one finds few kitchen gardens and farm yard animals.

According to the noted French agronomist Rene Dumont, too much money has encouraged an enormous waste of resources. The irrational system of credit encourages the continuance of the damaging *conuco* (slash-and-burn) system with its severe ecological consequences of increased flooding during the rainy season and subsequently lengthening the dry season. The Government is continuing to expand its irrigation network but is still using less than 50 per cent of the existing reservoir capacity. Its water policy has also been bedevilled by other serious problems. The Calabozo reservoir in Guárico was built in order to create an agro-industrial complex based on rice production. Despite enormous investment, rise production has collapsed because the water is now being diverted to quench the thirst of Caracas. A new reservoir is near completion at Rio Verde along the Rio Tiznados, but it appears to be destined for the same fate.

Beset by under-capitalisation, the livestock industry, concentrated in the *Llanos*, fares little better. Pastures can support no more than one animal per seven hectares and produce between five and 10 kg per hectare. If a more intensive system based upon ley farming were introduced, the yield could not only be raised to 120 kg per hectare, but the *Llanos* could well produce sorghum and other crops in profusion. Here the problem seems to be one of lack of co-ordination and institutional jealousy.

If the gamble is to succeed and Venezuela is to increase food production and lay the basis for a vigorous agro-industrial sector, a series of reforms is urgently required. First, food prices must be raised to international levels. The best incentive to guarantee increased production is a higher price. Second, the credit system must be changed. Rates of interest must be raised and be applied selectively to encourage particular crops and farming [illegible] Government must

Education: no easy solutions

TWO DAYS after the scholastic year began last month, students at the Republic of Panama School in La Guaira, a port city outside the capital, were told to go home. The 30-year-old school building, which serves more than 1,400 students in Venezuela's State school system, had deteriorated to the point where authorities and parents decided to close down the institution until repairs could be made.

Washrooms in the school were insufficient for the student population and suffered from perpetual accumulations of sewage. Students were packed into stuffy, unventilated classrooms lacking sufficient books and desks. Many desks and blackboards were completely unusable. Garbage piled up in the schoolyard because of infrequent collection. Windows were broken and the roof leaked. Water arrived through the ancient plumbing only at odd intervals. Parents complained because drunks and vagrants easily gained access to school grounds. In short, the school was a mess.

Descriptions of public schools like the Republic of Panama are commonplace in the Venezuelan Press. In spite of great official emphasis on improving public education and unprecedented spending on the sector over the last four years, Venezuela's schools at all levels remain sadly deficient.

When he took office in March, 1974, President Carlos Andres Perez assigned high priority to public elucation. Since then the Perez administration has spent over $5.9bn on education, science and technology, more money than ever before in the country's history. By far the greatest proportion of this figure went in to the State school system.

The Government's goals, in summary, are the establishment of a modern public education system spanning all levels from nursery school to university, and the initiation of a massive technical training programme under the auspices of INCE (Instituto Nacional de Cooperacion Educativa). In addition, the Perez administration set up one of the largest foreign scholarship plans in the world. This bold initiative, known as the Ayacucho scholarship foundation, was designed to provide a wide range of technical and professional training for Venezuelans both here and abroad, particularly in disciplines not covered by the national university system. Special emphasis was placed on recruiting students from low income families.

Although problems like those affecting the Republic of Panama School are unfortunately commonplace in Venezuela's urban and rural educational system, it would be unfair to ignore the advances that have been made since 1974. It would be equally unjust to overlook the problems inherent in the educational system that governments have been forced to wrestle with over the past two decades.

How well have the Government's efforts in education fared? Without any doubt some progress has been made in each of the administration's three areas of emphasis: general education, technical training and scholarships.

Steeply

Public school enrolment has risen steeply in recent years. The government reported that 4.28m people (out of a population of 13m) took part in the variety of educational programmes offered during the 1976-77 academic year. During that term, 2.5m children were enrolled in primary school, 710,000 in secondary school, 247,000 in state universities and more than 312,000 in adult education classes. The education Ministry's overall budget grew by leaps and bounds after the oil boom four years ago; during the 1973-74 academic year (the last under the previous government), the ministry spent $651m, while last year outlays for education topped $1.8bn.

The Pérez Government has established nursery schools and day care centres in poor neighbourhoods and has developed new programmes for exceptional children and illiterates. It has also founded and equipped new technical centres and universities, including an open university based on the British model: Venezuela currently has ten functioning state universities and five private ones, four pedagogical (normal) institutes, ten technical schools and a variety of other advanced learning institutions.

This administration has raised teachers salaries and has attempted to end long standing chaos in the Government's educational bureaucracy. A major step in this direction was the naming of Dr. Carlos Rafael Silva, formerly vice-president of the central bank of Venezuela, to the post of Education Ministerial.

Results so far in the Government's technical and general education programmes have been mixed. INCE has turned out thousands of semi-skilled and skilled workers for jobs in construction, agriculture, the automotive industry, health, etc. But manpower shortages in some areas are still acute, sometimes causing slowdowns in projects costing billions of dollars. Consequently the Government has found it necessary to "import" thousands of foreigners, especially for tasks requiring highly specialised employees.

Even an expanded educational system under President Perez has found it difficult to keep up simply in terms of numbers. Venezuela has one of the highest rates of population growth in Latin America (3.3 per cent average per annum for 1960-77). More than half the country's inhabitants are under 20 years old and are thus potential users of public education.

One prominent Caracas newspaper, El Universal, estimated in an article this month that some 150,000 primary school age children in the capital region do not attend school. Most of them work (some obliged by parents, some by hunger), while others live far from any public school. Primary schools, where they exist in the vast slum cities that surround this capital of 3m, are almost always short on space, staff and equipment. Although the Government has frozen the retail prices of textbooks, pencils and other items used by students, thousands of Venezuelan families still cannot afford to acquire basic classroom tools for their children.

Erecting new school buildings and refurbishing old ones plainly constitutes a step forward. But staffing these new facilities with qualified teachers requires considerable time. Furthermore, average salaries for teachers at primary and secondary levels are very low when compared with many other jobs requiring less formal education. This means that teachers who obtain advanced training (that is, past secondary school) often move from education to better paying jobs in business. In many instances, teachers must hold two or more jobs to make ends meet.

Trained

Although many of Venezuela's educators at all levels are well trained and dedicated professionals, the country still suffers from an abundance of under-trained and sub-standard teachers, sometimes kept on Government payrolls because of political connections. One example of recalcitrance on the part of Venezuela's teachers unions occurred not long ago when the Education Ministry ordered certain categories of public school teachers to attend "improvement" courses. These courses were to be given gratis at Government institutes, much like educational enrichment programmes common in other countries.

The teachers balked, however, complaining that these courses would eat into their free time. They demanded that any such enrichment programme be given during normal teaching hours, thus cutting down time they would spend with students.

University education in Venezuela has registered some improvements over the past few years. Particularly encouraging are results of increased Government funding for new schools such as the Universidad Simon Bolivar and the Universidad Simon Rodriguez. However, shortages of space for students and high levels of political activism on public university campuses continues to be sore points. At the Universidad Central de Venezuela (Central University), the country's largest campus with over 50,000 students, political parties still use the school and student body as a training ground for future politicians, sometimes much to the detriment of educational activities. In addition, the Government has been reluctant to initiate real selection procedures for students at its largest campuses.

This often means that a student, once enrolled, may remain at the university until he completes a course of study or opts to leave, creating a class of "professional students" who spend far longer than is acceptable at schools. Even students who fail year after year are not expelled. This then limits the number of new students who can be admitted each year.

Many government agencies offer Venezuelan students scholarships for domestic and foreign university work. But in June, 1974 the Perez administration created a national scholarship programme which not only dwarfed all previous Government efforts of this type, but also became the largest foreign scholarship plan in Latin America.

The Ayacucho Scholarship Foundation, over the past four years has made grants to nearly 18,000 Venezuelans for undergraduate, graduate and technical study in universities and other schools here and overseas. Sra Ruth Lerner de Almea, president of the foundation, said recently that 14,754 persons now hold scholarship/study contracts with the foundation and are receiving varying amounts of financial assistance (some scholarships have been granted to students from other Latin American countries). She pointed out that 58.5 per cent of the scholarship holders are studying overseas in 30 different countries.

According to the terms of their study contracts, scholarship winners are obliged to work in Venezuela for a specified period of time.

The foundation was set up not only to supply Venezuela with badly needed professionals, but also to offer higher education on a broad scale to students from low income homes. The foundation asserts that 65.5 per cent of its scholarships have gone to underprivileged students, 25 per cent to middle class and over 15 per cent to "the class with the highest grade of socio-economic development."

The Government also sought to aid students from the Venezuelan provinces, traditionally neglected areas, and states that 70 per cent of aid winners come from outside the capital region. This mix of poor and wealthier students was achieved with considerable difficulty, since the former were often poorly prepared (or not prepared at all) for university education. However, students with poor academic backgrounds were given courses which helped them overcome educational deficiencies and were generally aided by high levels of personal motivation.

Up to now the Foundation's statistics indicate excellent results. Of the persons receiving scholarships thus far, only 8.36 per cent are said to have dropped out. According to Sra Lerner 4.97 per cent quit (or were asked to resign) because of poor academic performance, while 3.39 per cent left the programme because of things such as bad health or family problems.

The foundation president also noted that out of 1,162 people who had completed studies under the Ayacucho plan, 73 per cent had already found jobs, while the rest were being placed. Naturally it will not be possible to judge the programme on a more comprehensive scale until more students return in two to three years.

What is wrong with the Ayacucho plan? A number of problems have developed since its inception in 1974, but this is only natural in a country which had never before managed a similar educational enterprise. A host of administrative problems—including delays in payments to students, failure properly to prepare those travelling overseas, etc—have been cleared up by the Ayacucho staff. Centres have been established overseas to co-ordinate the programme's activities and to handle problems with students and host countries as they occur. In addition these centres monitor students' progress and report back to Caracas.

Some critics say that the scholarship plan has become politicised to the point where anyone with an important friend in the Government or the official party can secure a grant. This even applies to children of wealthy families. Others point to students who are "enjoying a holiday" abroad at the Government's expense.

While these charges are certainly valid for some scholarship holders, it is equally true that most Ayacuho beneficiaries are serious students who will be of considerable value to this developing nation when they return home. Some Venezuelans thrown into a foreign universtiy environment that they are not prepared for may quit and require one or two extra years to complete their normal course work. Since the Venezuelan Government is understandably willing to pay for this, who's to complain?

Even though it is still early to make an objective evaluation of the programme, it seems at this point that its main objectives are, for the most part, being met. Political interference in a programme of this size would be natural in almost any country. Moreover, if only 10-30 per cent of the students involved return to Venezuela and make a positive contribution to the development process, it would seem that the Government will be receiving a fair return on its investment.

J.M.

Farm reforms

CONTINUED FROM PREVIOUS PAGE

also institute a differential land tax and a tax to guarantee the efficient use of water resources. These measures could be used to combat slash-and-burn farming and lead to a more intensive use of land resources. They could also encourage the introduction of ley farming in the *Llanos* along the lines of the model developed in the state of Apure. Third, there must be more co-ordination between credit and technical advice. Farmers receive a bewildering amount of often contradictory advice, with the result that many have opted out of splendid consultancy services provided by the Government. Fourth, if the Government genuinely believes that the key to agricultural development is the small- and middle-sized farmer, it must allow them to play a more active part in the planning system. Fifth, the Government should create a series of marketing boards that would not only provide market facilities and advice but serve as a kind of watchdog. Finally, these activities must be supplemented by a genuinely rural system of education integrated into rural development projects like those now being undertaken by the new National Experimental University, Simon Rodriguez.

These problems, unfortunately, are largely political ones and their solution requires considerable courage on the part of the Government. None of the political parties have yet faced up to the long-term implications of current policies. Perhaps the new president will do so.

Charles Posner
Institute of Education
University of London

Demand for better public services

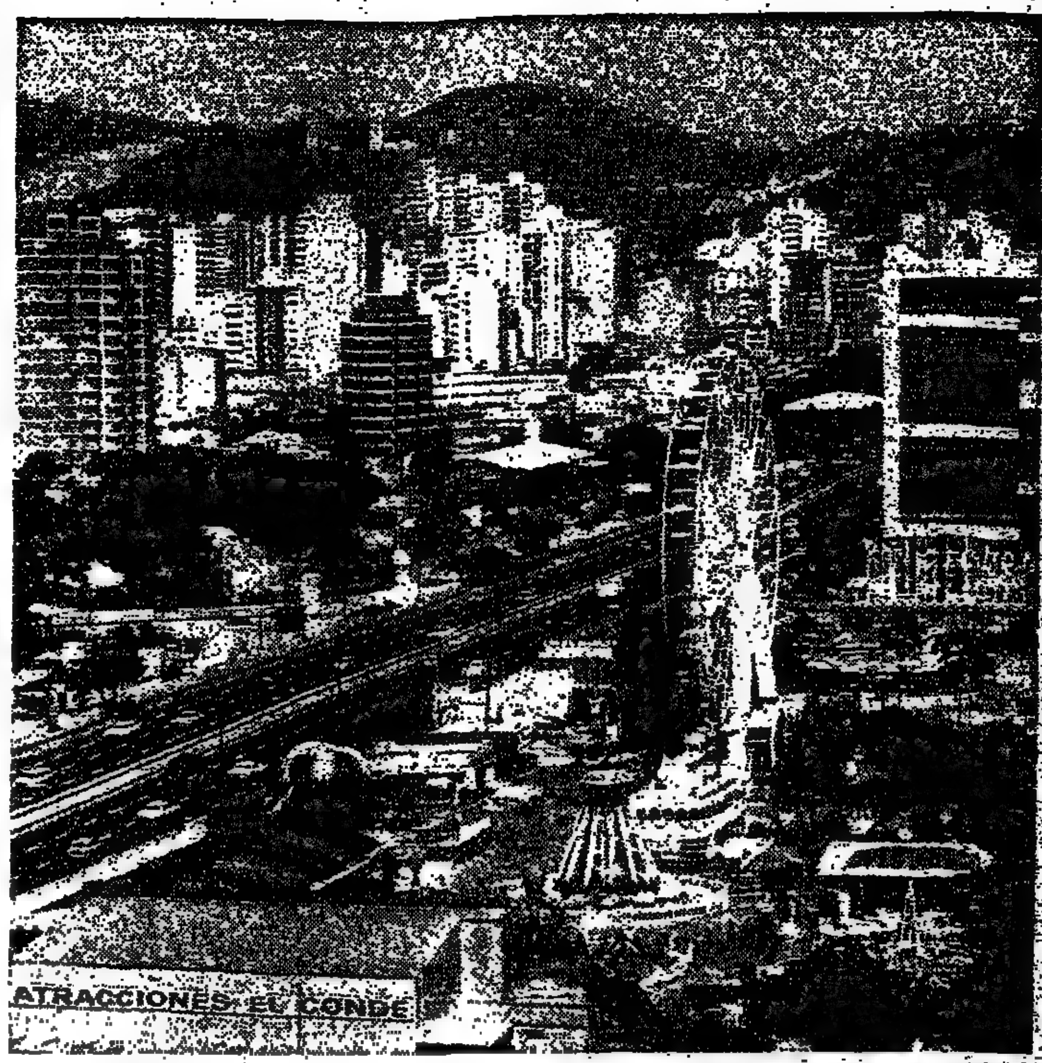
"IT'S HARD to believe we're living in a rich country," an American executive commented to an acquaintance at a recent cocktail party.

"My wife and I are paying Bs4,500 ($1,046) a month for a fancy new apartment, and our building gets water only three or four days a week, besides, garbage sometimes piles upon our street for days before the sanitation crews come by."

Whether he knew it or not, this executive was far better off than most Venezuelans. In the capital city alone, hundreds of thousands of persons receive water for drinking and washing irregularly.

In the teeming poor sectors ("Barrios"), water sometimes arrives by tanker lorry. Residents of these barrios, housing thousands of families, are accustomed to living near heaps of decaying refuse thrown into gullies or piled wherever there is space.

Venezuela's massive petroleum wealth, applied liberally to the gamut of ailing public services since 1974, has failed to make steady improvements for the average citizen. Many Venezuelans believe that these services — including health, sanitation, telephones and transportation — have deteriorated significantly since President Carlos Andres Perez took office over four years ago.



Caracas, the Venezuelan capital: water shortages, blackouts, lack of sanitation, traffic jams are among the city's recurrent problems.

Displeasure

During the current presidential campaign, candidates in opposition to Perez' ruling majority party — Democratic Action (Accion Democratica) —have rightly sensed widespread displeasure with the state of public services of all kinds, and have made this item a major campaign issue.

Labouring under pressures created by a growing population and ever-increasing demands from industrial and commercial sectors, Venezuela's public service network is being challenged as never before. The result has been bottlenecks, delays, breakdowns, inconveniences and often worse.

In Caracas, a city of more than 3m, water shortages are frequent in major sectors. A variety of problems in the City's water supply and distribution network over the past three years left large parts of the capital bone dry for weeks at a time.

Telephone service is at best erratic. A person in the capital calling a number in the metropolitan area may have to dial a dozen times before reaching the intended party. Calls to other Venezuelan cities can be made by direct dialling, but lines are so overcrowded that one may waste an entire afternoon trying to reach the second largest city, Maracaibo.

Overseas calls, for most subscribers, are a gruelling experience: In order to reach an international operator (who still places most overseas calls here), one must dial 122. This number is frequently busy day and night because of a massive increase in international telephone traffic since 1974.

Secretaries, businessmen and housewives may spend hours—or even days—dialling the number for overseas service before getting through. If the call cannot be placed once this vital contact with "internacional" is made, however, the dialling process must begin anew. And when heavy tropical rains hit the capital, telephone lines are inundated and service in large parts of the city simply goes off.

Garbage collection, which is faulty even in some of the most expensive neighbourhoods, has not yet reached the level of a science in Venezuela. Despite the Government's acquisition of hundreds of modern refuse trucks from the United States, collections are irregular and garbage often piles up for days along main thoroughfares.

Authorities have improved service in recent months, however, obviously thinking of December's elections. But as usual, the great expanses of slum cities cannot be effectively serviced. In many poor sections of Caracas and other cities, refuse is never cleaned up.

Venezuela boasts at having the best highway system in Latin America. But in Caracas, streets were so filled with potholes that car accidents occured with alarming regularity as drivers swerved and twisted to avoid plunging their cars into fissures, several feet deep.

One pot-hole in the capital was so large that it swallowed up a hapless car that ventured too close. (Once again, the Government has quietly summoned teams of public employees to the task of filling in pot-holes: perhaps city leaders are afraid that some voters may disappear on their way to the polls.)

Other services, some of them vital, are also in varying states of decay despite abundant Government spending. Public hospitals and clinics, shunned by all who can afford the price of medical care, are almost always overcrowded, understaffed and short of equipment and medicine. State-run schools more than a few years old are often in advanced levels of deterioration through neglect.

Transportation in Caracas' perpetual traffic jams in unpleasant, time-consuming and always accomplished under great clouds of noxious exhaust fumes. In this important area, the Caracas Municipal Government has shown that vast sums of money can be spent on public service while practically nothing is achieved.

Starting in 1974 the Caracas Government purchased hundreds of fine, new buses from England and Hungary. Many of these buses are now inoperative because of poor maintenance or accidents.

Others still running are in shoddy condition. But even while the new buses were on the streets in force, their utility to passengers was limited since the Government took no substantial steps toward alleviating the city's nightmarish traffic conditions.

Shortages

Caracas has not been spared of blackouts and brownouts. Over the past few years, power shortages were common. They have been eliminated, at least temporarily, thanks to the Government's acquisition of hundreds of millions of bolivars worth of new generating units. These units are meant to fill the energy gap until vast hydroelectric and themoelectric programmes come onstream.

The Perez administration recently launched a publicity campaign in an attempt to explain why things have been going wrong, and how much money has been spent to make public services better. Despite these explanations, though, most citizens apparently remain unconvinced that they are better off than before.

One irate man vented his wrath by writing a letter to the editor of a Caracas daily a few days ago entitled "the torture of travelling by bus."

The writer, identified as Sr. Francisco de Lezaeta, complained that while the Venezuelan Government was amply concerned with human rights in other countries, it had apparently forgotten about the rights of Venezuelans who spend "ten hours or more" crammed into the rear of intercity buses.

With all due respect and not a little irony, Sr. de Lezaeta invited the ministers of industry and transportation and other high officials — accustomed to cruising about Caracas in air-conditioned, chauffeur-driven, lushly upholstered cars—to take a voyage of discovery in a bus.

J.M.

Nation gripped by party mania

In the yellow pages of the Caracas telephone directory there are no fewer than 20 pages given over to the *agencies de festejos* or party caterers, and no race in the world can be more assiduous party givers or party goers than the Venezuelans. The main hotels have their public rooms booked solid until the end of the year. The money spent on formal party entertaining in Caracas alone must run into hundreds of millions of pounds a year.

With the new wave of prosperity which has hit the country since the 1973 oil price rise, the inhabitants—or at least those with middle-class pretensions—have been able to satisfy their desires for gregariousness to an extent that they had never before believed possible.

They have had plenty of encouragement from their President. The head of state is a supremely gregarious man, an extrovert who is never happier than when entertaining, or preferably addressing a crowd. And at the official level he gives parties with great aplomb.

An official investiture such as was held in La Casona, the presidential residence, earlier this month is an event which few of the guests are likely to forget. Those to be honoured, who included actors, singers and show business people from all over Latin America, received their decorations on a warm night under the stars in the garden between a reflecting pool and a row of imperial palms. The occasion finished late after a folk dancing show and drinks. Some of the ambassadors accredited to Caracas, it can be recorded, betrayed their lack of social stamina by creeping away in their cars before the end. Few Venezuelans followed their example.

With Carlos Andrés Pérez in the presidency—a man who is never happier than when he is in a crowd—it is no wonder that party life is booming. The boom is adding fuel to the mania in some circles to excel at social life and become the capital's best and most sparkling party giver. Every day in all the newspapers the public is regaled with pictures of the social events of the night before, the women in ever more glamorous gowns, the men in ever smarter suits.

Gleefully

Business has not been inoculated against this mania, and the pecking order at gatherings of businessmen is at least as savagely fought over as that of the society hostesses. Sad to say the appearance of only a couple of hundred people at a party given recently by a British bank which had invited many more guests has been commented upon gleefully by its competitors in the Caracas financial world.

Parties are weapons not only in the hands of society hostesses and businessmen but also in the hands of politicians. The politicians hope that the plentiful provision of food and drink will make the messages of the various presidential candidates more palatable.

Luis Piñerúa, the Acción Democrática candidate, woos the reporters with a weekly lunch at a smart restaurant, while Luis Herrera Campins, his principal rival and standard-bearer of COPEI, does the same at a weekly breakfast in the garden of his house in a Caracas suburb. Cheese, ham, rolls and black beans are handed round by the white-gloved waiters from one of the agencias de festejos, while Luis Herrera lays into Piñerúa with all the heat of the coffee steaming before the journalists.

The party mania has not quite conquered the whole country yet. The round of party going has tired some people, who have just given up attending. "The round of socialising in which Señor X throws a party for a thousand people to advertise the fact that she has just bought a new Dior dress is becoming too pervasive. You can't get two friends into the house without everyone regarding it is a party," one official complained to me.

A minister I talked to took a firmer line. "A short while after I took on my ministry," he said, "there was the eighth anniversary of the founding of one of the sections within the ministry and everyone was expecting a party.

"I don't like parties so I decided we should lay a wreath on Bolivar's statue and then go to church for a Te Deum—the bishop was delighted, by the way. Then we came back to the office for a whisky — one whisky — and we got back to work."

But the minister in question, one must add, is something of an exception in his dislike of parties and, as far as one can foretell, the profits of all those party caterers will be assured for some considerable time to come.

H.O'S.

MINERALS AND THE SANCTIONS QUESTION

BY PAUL CHEESERIGHT AND MARTIN DICKSON

South Africa still holds some trumps

IS SOUTH AFRICA'S role as a supplier of industrial minerals to the developed countries of the northern hemisphere as powerful, as vital, as it would first appear, and as the South African Government would wish it to appear?

This question has been given fresh topicality by the negotiations for a Namibian settlement. Failure in these discussions could result in the toughest demands yet for mandatory UN economic sanctions against South Africa.

For its part, South Africa has issued a warning that it might be forced to undercut world mineral prices to market its output in the face of sanctions. Mr. Chris Heunis, the Minister for Economic Affairs, said that such a move would threaten any efforts being made by Third World producers to stabilise prices.

The argument is freely advanced from South Africa—and accepted without much comment in the West—that the industrialised countries, with their appetite for raw materials at competitive prices and their reliance on secure delivery, need South Africa as much as South Africa needs them.

This is certainly so in the short term. An immediate cessation of mineral supplies from South Africa would, it is generally agreed, have severe industrial repercussions. What is not so clear is the extent to which substitutes or alternative sources of supply could be found for South Africa's minerals and how long this might take.

But there are at least grounds for arguing that South Africa's mineral resources need not, over the medium term, be quite so vital to the West as is generally assumed. Sir Ronald Prain, for 30 years chairman of Roan Selection Trust, has suggested that there would be "perhaps a five-year period before new sources of substitutes might be developed."

This presupposes that no stockpiles have been built up. However, the U.S. has for years maintained a strategic stockpile, based on a three-year inventory. Limited stockpile policies have been adopted in Japan and France. West German consumers have recently told the Bonn Government their stocks are adequate and there is thus no need for a national stockpile.

At first sight, South Africa for its part can advance some persuasive basic arithmetic to back up its contention that its resources are indispensible to the West. Figures prepared for the Economist Intelligence Unit*, but apparently owing much to studies commissioned by the Foreign Affairs Association in Pretoria, show that six minerals are crucial.

South Africa holds between 48 and 86 per cent of the world's known reserves of the platinum group metals, and of vanadium, manganese, chrome, gold and fluorspar. This would not in itself be particularly significant were it not for the fact that the USSR also holds substantial reserves of platinum, vanadium, and manganese.

It is therefore easy to put forward the proposition that if the West is cut off from supplies of these three metals, it would be thrust into the arms of the USSR for supplies of materials needed for high technology products and armaments.

The same proposition can be advanced, but with less strength for gold, fluorspar, iron ore, asbestos, uranium, nickel zinc and lead. In the case of antimony, China is a major producer.

The South African case is buttressed by the published conclusions of USSR economic strategists 20 years ago that Western supplies of strategic materials from South Africa are vulnerable and that this weakness should be exploited in the rivalry betwen the different international power blocs. The activities of the USSR and their Cuban surrogates in Africa have, of course, added point to this conclusion.

However, as the table with this article shows, substitutes do exist for many of the South African metals in many of their applications. The question is how quickly technology could be adapted to make their use possible. The normal workings of the market, responsive to shortages and higher prices, would tend to speed the development of the technology. Further, shortages tend to encourage higher production from other mineral suppliers.

One exception to above argument is manganese, which is important in the steel industry. No substitutes appear to exist for manganese in its major applications and South Africa is the world's second largest producer of the mineral after the Eastern Bloc. But any disruption to the supply of land-mined manganese will hasten Western preparations for the exploitation of manganese nodules on the ocean floor. The technology exists, but is not commercially proven. What is lacking is an international regime for controlling undersea mining.

Opinions appear to be divided as to potential substitues for chromium—also important in the steel industy. South Africa produces 26 per cent of the world's supplies of this mineral.

Despite this uncertainty, the importation of Rhodesian chrome into the U.S. in defiance of UN sanctions graphically underlines two practical weaknesses in the argument that South Africa's minerals need not be vital to the West. The first is that industrialists will, understandably, not be prepared to pour money into research for substitutes while they can still obtain supplies of a metal at a reasonable price, no matter from where. The second is the equally understandable Western reluctance to be dependent on the Soviet Union for metals such as chrome, which are deemed strategic. This was the underlying reason for the Byrd Amendment which permitted Rhodesian chrome to reach the U.S.

It could be argued that it is by no means certain that the Soviet Union would be quick to seize, or even want to seize, the strategic advantage that the curtailment of South African supplies would put within their grasp.

According to Phillip Crowson, senior economist at Rio Tinto Zinc, in a special study for Chatham House:† "paradoxically the most likely development seems to be a failure by the Eastern Bloc to react to a cessation of South African supplies. Because of the often naive nature of their marketing policies, Eastern Bloc countries seldom react logically to price changes by altering their market offers."

Nevertheless, no Western Government would ever want to place itself at the mercy of the Eastern Bloc's mineral marketing policy.

As it is, there seems little chance of blanket mandatory sanctions being imposed on South Africa in the near future. The trade in minerals, Western investment in the country and exports to it, all mean a high degree of ambiguity in the West's response to demands for sanctions. What seems more possible is a creeping embargo on loans, new investment or specific commodities.

But even if a complete embargo on trade were to be imposed, execution of this policy would be a different matter. South Africa would use every means to push goods on to the world markets—and nothing short of a major naval blockade would prevent it doing so.

It is, of course, imperative for South Africa to sell its minerals and this could be the country's Achilles heel. Last year minerals accounted for R4.7bn (£2.76bn) worth of export earnings, out of a total of R9.1bn.

Looking at the key, strategic minerals where the West has built up a traditional reliance on South Africa, Mr. L. W. P. van den Bosch, the president of the Chamber of Mines of South Africa, said in October 1977:

"It might be thought that if these minerals are in such short supply in the West and are so strategically important, then the South African mining industry should have no difficulty selling them.

"The West does, however, have stockpiles of some key minerals and normal industrial requirements do not constitute a bottomless market; conditions of weak demand and strong competition exist and South Africa has had to mount a major marketing effort to realise its mineral riches."

And, as Pretoria, has just reminded the world, it could respond to sanctions by trying to undercut mineral prices, thus both disposing of its supplies and destabilising prices obtained by some of those Third World countries

Even if sanctions are not imposed, the West has to bear in mind the possibility of serious political unheaval in South Africa, which could seriously reduce the flow of minerals from the republic. Such an upheaval may not look very likely, but South Africa may not escape this even if there is a time fuse of 20 years or even much more.

Such troubles could be a catalyst for a revival in mineral exploration activities outside the traditional mining areas favoured by the Western mining groups. While it is true that fresh investment in South Africa is now considered only very cautiously, there has been little overt evidence to suggest a serious effort to diversify away from the South African source of supplies. There has been no reason why there should be: the supplies have always come through, the investments have remained intact.

It is South African policy to convince the West to take measures which will ensure that this situation continues—hence the emphasis on an alliance of interests. If that alliance is not accepted then there is only one choice. It is for the West to diversify further its sources of supply.

Mineral Supplies from South Africa, EIU Special Report No. 59, by William van Rensburg; Economist Intelligence Unit, 1978; £25.

† British Foreign Policy to 1985, Non-Fuel Minerals and Foreign Policy by Phillip Crowson; Royal Institute of International Affairs, 1977; £3.50.

MINERAL RESERVES AND PRODUCTION

	Reserves SA	Reserves USSR	Production SA	Production USSR
	as % of world reserves		as % of world output	
Platinum group	86	13	55	31
Chrome ore	83	1	30	32
Vanadium	64	33	46	20
Manganese ore	48	45	24	35
Gold	49	19	59	19
Fluorspar	46	4	5	11
Asbestos	10	25	10	36
Uranium	17	13	13	28

Source: Economist Intelligence Unit.

KEY MINERALS—USE AND SUBSTITUTES

	End uses in the U.S. 1976 Percentages	Substitutes
Platinum group	Automotive 41, Chemical 14, Electrical 15, Others 28.	Gold, silver, tungsten in electronics; gold in dental use.
Chrome	Construction 23, Transportation 15, Machinery and Equipment 15, Refractories 13, Others 34.	Nickel, zinc or cadmium for corrosion protection of iron and steel; aluminium and plastics for automotive decorative trim; nickel, cobalt, molybdenum or vanadium for alloying iron and steel; titanium for chemical processing equipment; cadmium yellow pigment for protective coatings; magnesite refractories for some refractory products.
Vanadium	Transportation 28, Machinery 23, Construction 21, Chemicals 21, Others 7.	For many alloying purposes interchangeable to some degree with other alloying elements.
Manganese	Transportation 23, Construction 22, Machinery 17, Others 38.	No substitutes in major applications.
Gold	Jewellery and arts 56, Industrial, mainly electronic 27, Dental 14. (Excludes monetary uses).	Limited mainly to other precious metals.

Source: Royal Institute of International Affairs

Letters to the Editor

Growth by moonlight

From Mr. E. Sadler

Sir,—In his article, "Economic growth by moonlight" (October 1), Mr. Malcolm Rutherford concedes that the building industry is aware of the problems that he describes—scarcity wage rates, moonlighting, tax evasion, etc. But he goes on to say "It seems unlikely, however, that a solution is just around the corner," the implication being that it is for the industry to find that solution. This is being rather too naive.

The repeated stop/go building cycles of post-war years, the ever-increasing form-filling and other administrative burdens thrust on small building enterprises, the flood of labour legislation—these are only some of the reasons why so many small businesses have been forced out of existence, and why the main political parties have become so concerned about the effects on the economy. For let it not be thought that building is the only industry affected in the way Mr. Rutherford describes.

Having been associated with the building industry for over a quarter of a century, I can assure Mr. Rutherford that its leaders have given warning after warning to successive Governments about the inevitable effects of their policies. While these policies persist, it is both misguided and unfair to imply that it is the industry's job to find solutions on its own, although I have no doubt it would willingly co-operate in any moves to overcome its problems.

E. S. Sadler.
3, Makepeace Avenue,
Highgate, N6.

The state of construction

From the Campaign Director Campaign Against Building Industry Nationalisation

Sir,—Malcolm Rutherford's article "Economic growth by moonlight" is remarkable, not so much for what it says but for what it omits.

He criticises the "Campaign Against Building Industry Nationalisation" (CABIN) which was mounted, as its name implies, against the Labour Party's proposals to nationalise the construction industry. These proposals are not "imaginary" as Malcolm Rutherford asserts. In his report to the 76th Labour Party Conference Mr. Eric Heffer said "We believe that we ought to argue for public ownership in the (construction) industry, step by step, because it is the only sure answer to solving the difficult problems that we have" Of even more importance, perhaps, than Mr. Heffer's eloquence is the real threat which the industry now faces from an increase in public sector activity in the industry by the expansion of local authorities' direct labour departments and the setting up of a public procurement agency, both of which will inevitably limit competition and free enterprise and part of which is already the declared policy of the present Government.

The construction industry has no intention of falling into the trap which has engulfed other industries which remained complacent when threatened by more Government intervention in their affairs. CABIN will continue to fight the threat of creeping nationalisation and, having increased public awareness of Labour's plans for the industry during the first part of the campaign, we shall now try to make the public more aware of the industry's achievements. In this regard, it is paradoxical that, while Malcolm Rutherford was claiming that "the state of the industry could hardly be worse," you published in the same issue a report under the heading "Building earnings up by £440m" in which you underlined ". . . the huge contribution the construction sector is making towards the UK's foreign exchange . . ."

Tony Smith.
*Romney House,
Tufton Street, SW1.*

Inner city problems

From the Leader, Greater London Council

Sir,—Several points emerge from John Griffiths' report (October 20) on the inner cities and London in particular.

If the Department of the Environment is our friend we are in worse trouble than I thought, since most of the Secretary of State's actions are a hindrance rather than a help. Having vetoed the Greater London Council and boroughs' attempt to obtain effective legal powers to aid industry he has failed to come up with anything similar in his own legislation. There are also still controls which hamper London's recovery — industrial development certificates and office development permits are still dampeners, and the Location of Offices Bureau is still working against us.

Instead of encouragement we have been landed with "partnership" agreements: these ensure complete government control over almost nil progress, since any achievements here are superficial and cosmetic.

Instead of money there has been a con-trick. Nearly all the much-vaunted investment was part of existing programmes, and the Government's extra commitment is more or less restricted to giving local authorities permission to spend more of their own money.

We must all face the fact that the Government, whatever its desires, can do nothing but harm to cities such as London. So tight is the grip of the provincial Mafia — the North-West, North-east and Scottish group of MP's—and so well are they organised that this Government has given up the ghost as far as London is concerned.

We are not asking for favours; but if only the Government would take the controls off, both major and petty, at least London would stop choking to death.

Horace Cutler.
County Hall, SE1

Index funds

From Mr. T. Shucksmith

Sir,—Dr. W. Scott (October 17) is apparently very keen to scotch the index fund concept. One suspects the low penetration of the concept in the United Kingdom is largely attributable to the vociferous self-interested opposition of some members of the investment community rather than an objective analysis and appraisal.

This lack of realistic appraisal is illustrated by the false and irrelevant criticisms Dr. Scott makes of indexed funds. It is no criticism of the index fund concept that the actual realised return because of buying and selling expenses and jobbers' terms, will be less than the nominal index return. These are inevitable facts of every investor's life. In measuring the performance of an equity portfolio, it is quite possible, and usual, to allow for these factors, at least as far as new money or essential sales are concerned, so giving a true comparison with a suitable index.

It is facile to suggest that a fund following the index concept would be involved in uneconomic transactions through slavishly mirroring the index constituents. The index fund concept is based on the belief that the prices reflected in the market as a result of competition are fair prices to within a small margin reflecting dealing expenses. This means that the index fund manager selects his index having regard to the liabilities, without pitting his judgment against the market by varying his sector weighting from time to time or favouring or switching between particular holdings. It follows that the strategy would be one of buying and holding. It would be conducted in a practical manner as regards the size of transactions, liquidity margins and the number of holdings.

Dr. Scott's judgment is very probably right, when he says that trustees aim to select an investment manager who will deliver an above average performance but I question whether this should, according to the spirit of the law and the extreme difficulty of distinguishing between luck and good judgment, be their aim. If trustees go for an index fund, they are certain to get an average performance. If they back an investment manager taking judgments against the market, they are likely to make a profit or a loss. Overall nobody is going to win, because it is a diminishing sum ball game on account of dealing costs. Trustees who go for excellence are taking a risk. Why do they suppose that they will end up above rather than below average? Can they justify this risk taking in terms of a higher expected return?

Index funds are not anti-capitalist. Anybody, who believes in the index fund concept, has faith in the efficiency of the market place and is, one presumes, one better than a bare capitalist, being a free market capitalist. This should, however, not be the concern of a trustee, whose duty is to give effect to the trusts for the beneficiaries and not to allow political considerations to influence his conduct.

T. S. Shuckmith.
*4, Roquebrune,
139, Blackborough Road,
Reigate, Surrey.*

Investment activity

From Dr. W. Scott

Sir, — Mr. D. C. Damant (October 21) draws the conclusion that dealing costs increase with the level of investment activity in a portfolio. This is certainly true. It does not, however, alter the fact that the investor who settles for indexation guarantees a level of return inferior to the index.

The "conventional" investment manager who earns an index return has made a significant contribution. He has recouped in full the entry costs associated with structuring any portfolio.

The implication that conventional investment management involves a significantly higher level of activity than indexation is not necessarily correct. Both the funds have to invest new inflows. Thereafter the index fund does not deal. The conventional fund can and usually does alter course. The evidence of history is that the variations in the fortunes of individual companies and industrial sectors occur over quite extended periods.

An investment manager should aim to avoid those areas that, on the basis of economic and business analysis, are likely to produce below-average performance and therefore fall in the lower half of the index. If this technique is followed, portfolio turnover can be very low indeed. The only reasons for realisation of an investment are the recognition of a mistake, or an over-valuation.

Error recognition is the crucial difference between conventional management and indexation. Why should trustees accept the penalty of living with a dying industry or company simply because it is part of the index? The death throes may be prolonged and painful. The fact that Rolls-Royce, Burmah, and so on had a full complement of shareholders at the end is testimony enough to the inefficiency of the market. Perhaps we should rename the efficient market theory — the inefficient fund manager theory.

Indexation is the soft option for trustees who have no faith in their own ability to select a manager. What would happen if boards of directors adopted the same view in appointing chief executives for complex industrial companies? For one thing there would probably be a lot less debate on the best way to invest in equities!

Dr. Walter Grant Scott.
*Ivory and Sime.
1, Charlotte Square, Edinburgh.*

Unknown Giro numbers

From the Honorary Secretary, Croydon Giro Users Group

Sir, — It was refreshing to read in Eamonn Fingleton's article (October 21) such a well-informed description of the National Giro service.

As a consumer group we find that one of the main obstacles to using the service is that people without Giro accounts frequently do not understand it. As they number 98 per cent of the population, it follows that most of the people who work in the organisations we want to pay have no first-hand experience of how the system works.

A related difficulty is that those same organisations may hold Giro accounts but do not disclose the fact on their invoices or order forms. As their Giro number (and not their name) has to be entered on the transfer payment form, one cannot use the system without it. National Giro publishes a list of organisations and their Giro numbers, but issues it only on request and on payment of 25p. As a consequence, barely one account-holder in 50 has a copy of the list and most account-holders are able to make very few transfer payments.

Where would the telephone service be now if firms had not printed their telephone number on letterheads and the GPO had been so miserly about supplying directories?

If the Post Office is serious about wanting its Giro service to expand, can we hope it will make its directories for Giro as freely available as those for post-codes, telephones and telex?

A. E. Reynolds.
40, Leyburn Gardens, Croydon.

Incomparable impact

From Lord Boothby

Sir,—In his review of my book (October 21) Mr. Bourne says that I told Churchill that, although he saved the British people in 1940, they never liked him: and that he replied: "I never understood them."

What I wrote was that, although they knew he saved them in 1940, the people in the North of Scotland never liked him, to which he replied: "I never understood them. But this I will give you. No nation of its size since Ancient Greece has made a comparable impact upon the world."

There is a sharp difference.

Boothby.
House of Lords, SW1.

Today's Events

GENERAL

Meeting of Trades Union Congress General Council, Congress House, London.

Labour Party National Executive Committee meets, Transport House, London.

Mr. David Ennals, Social Services Secretary, addresses annual congress of Environmental Health Officers Association, Bournemouth.

Sir David McNee, Commissioner, Metropolitan Police, at Police Federation Metropolitan Branch meeting, Central Hall, Westminster.

Last day of European Parliament session to consider Community Budget for 1979, Luxembourg.

Mr. Joshua Nkomo, guerrilla leader, in Moscow for talks following Rhodesian attacks on his training camps.

Mr. Nikolai Firyubin, Soviet Deputy Foreign Minister, on official visit to Philippines.

Mr. Andrei Gromyko, Soviet Foreign Minister, starts three-day talks in France.

President Giscard d'Estaing of France begins two-day visit to Italy, which includes audience with Pope John Paul and talks with President Sandro Pertini.

First in series of Sotheby-Victoria and Albert Museum lectures on common heritage in the arts inaugurated by Mr. Kingman Brewster, U.S. Ambassador, V and A Museum, SW7, 7 pm.

Berwick and East Lothian by-election speeches by Dr. David Owen, Foreign Minister, and Mr. Michael Heseltine, MP.

Lord Barnetson, chairman of Reuters, speaks on the "Press and the Public" at presidential luncheon of Westminster Junior Chamber of Commerce, Café Royal, W.1.

Sr. Jose Lopez Portillo, President of Mexico, visiting China.

Lord Mayor of London attends dinner to Fruiterers' Company Court, Mansion House, EC4.

COMPANY RESULTS

Final dividends: British Assets Trust. Interim dividends: Border Breweries (Wrexham). Burrell and Co. Caledonian Associated Cinemas. Continental Union Trust. Downiebrae Holdings. Gill and Duffus. Greenbank Industrial Holdings. Philip Hill Investment. Hopkinsons Holdings. Hoveringham Group. Lilleshall. Lindsay and Williams. More O'Ferrall. Spillers. Uniflex Holdings. Youghal Carpets (Holdings).

COMPANY MEETINGS

Associated Dairies, Leeds, 2.30. Excalibur Jewellery, Birmingham, 12. Highgate Optical and Industrial, Clarendon Court Hotel, W. 11. Linfood, Winchester House, EC, 10.30. James Walker Goldsmith, Century House, SW, 12. Zetters, 86, Clerkenwell Road, EC, 11.30.

COMPANY NEWS

Paterson Zochonis ahead but margins squeezed

FOLLOWING THE £0.85m first-half rise to £9.18m, taxable profit of Paterson, Zochonis and Co. improved further in the closing six months to leave the result ahead from £18.27m to £19.48m in the May 31, 1978, year. Turnover of the West African merchant, manufacturer and distributor was well ahead from £145.54m to £213.53m.

Directors say that throughout the year trading conditions were competitive but profits showed a further increase owing to the expansion in turnover, particularly in the closing months of the year.

For the current year, they say that with the re-equipment of UK manufacturing facilities almost completed there are the first signs of a move towards a more satisfactory return on these investments.

	1977-78 £	1976-77 £
Turnover	213,528,000	145,327,000
Operating profit	15,590,563	14,711,039
Exchange loss on trading	194,417	503,524
Associates	4,084,290	4,062,974
Profit before tax	*19,480,736	18,270,509
Tax	9,827,673	9,543,145
Net profit	9,653,103	8,727,361
To minorities	370,392	156,944
Attributable	9,282,711	8,570,417
Pref. dividends	217,560	21,416
Ordinary dividends	1,265,159	1,107,040

Results exclude profit on exchange of net currency assets £30,044 (£1.62m loss): gain in reserves consequent upon changes in the parent company's interest in subsidiary companies £1.3m (£4.2m loss); and surplus of fire insurance claim proceeds over group cost of buildings and plant destroyed, £630,828. Includes the profit of Preservene Pty., Australia for the six months to May 31.

All areas of group operations show a further increase in turnover, but owing to the continued rise in operating costs and pressures on margins, the returns so far show profits only slightly higher than for the same period last year.

After the forecast of a final dividend of not less than 4.7p, a 5p final has been recommended for a total of 8p against 7p last time. Dividends absorb £1.27m compared with £1.11m.

The profit includes a £194,417 (£503,524) exchange loss on trading and associate contributions of £4.08m (£4.06m). A £1.3m gain in reserves (£4.2m loss), mainly stemming from the acquisition of Preservene Pty of Australia, and a £630,828 surplus of fire insurance claims over the cost of buildings and plant destroyed have been excluded along with a £30,044 exchange profit (£1.62m loss) on net current assets.

After tax of £9.83m (£9.54m) net profit was ahead from £8.73m to £9.65m. Earnings per 10p share are shown at 57.32p against 53.99p.

See Lex

INDEX TO COMPANY HIGHLIGHTS

B. Nathan sees peak result

REPORTING HIGHER turnover and profits for the first half of 1978, the directors of B. and I. Nathan, furniture maker, say orders outstanding at both factories are at a high level and the year's figures are expected to show a further increase.

Turnover for the first half improved from £3.07m to £3.47m and profits were £230,000 against £190,000 before tax of £122,720 (£98,800).

The interim dividend is stepped up from 1p to 1.1p absorbing £20,338 (£18,480). Last year's total was 3.3p on record pre-tax profits of £384,000.

C. Pearce static at £0.81m

FOLLOWING the £31,800 increase to £326,307 at halfway, C. H. Pearce and Sons, builder and contractor etc., has turned in profits of £812,459 for the year ended May 31, 1978 compared with £805,411 previously.

Seeing there was little or no improvement in the depressed state of the construction industry during the year, the results are considered very satisfactory, the directors say.

Providing there are no adverse conditions, the board is confident that profits will be produced next year at least equal to that of the present period.

Earnings per share are shown at 33.67p against 30.83p and the final dividend is 2.48025p making a total of 3.78423p compared with 3.389p in 1976-77.

	Year 1977-78 £	Year 1976-77 £
Turnover	11,004,285	7,104,888
Profit before tax	812,459	805,411
UK tax	386,911	417,547
Net profit	425,548	387,864
Extraordinary debit	—	33,687
Interim dividend	18,291	14,391
Final dividend	31,317	25,041
Loss waived	3,015	4,977

First half profit fall for Booth (Intnl.)

IN the face of continuing competition from cheap imports and working on reduced margins, profits before tax of Booth (International Holdings) fell sharply from £636,000 to £201,000 in the first six months of 1978.

However there are signs that the tide is turning the directors say and they are looking for some improvement in the results for the second half year against the first six months.

Earnings per 25p share are shown at 2.4p against 7.62p. The interim dividend is lifted from 1.465p to 1.5075p—last year's total was 4.3923p from a pre-tax profit of £1.05m.

The first-half profit is after adding profits of £10,963 (£34,313 deficit) in respect of the Northern Ireland associates. Sales to customers as principals and agents amounted to £15.17m against £17.22m.

After tax of £105,000 against £331,000, net profits were £96,000 compared with £305,000. The Nottingham-based group trades as a hide and skin merchant and tanner.

● comment

The squeeze on Booth International's margins, which took the edge off its 1977 figures tightened sharply in the first six months of the current year. The latest interim is 68 per cent down on the comparable period in 1977 and 52 per cent lower than last year's second half. To some extent the problems are beyond the company's control. Cheap bovine leather, shoes and clothing from the Far East and South America are frustrating attempts to push up selling prices. But some relief, in the form of a stronger pound, is in sight for the current period. While the company has overseas operations which could suffer a competitive disadvantage from a higher sterling exchange value, the cost of substantial raw material imports should fall, and overall margins improve. But the extent of the upturn in pre-tax profits is difficult to determine. The company sees some improvement in the second half but, even so, the full year figure is likely to be well down on last year's £1m pre-tax. The shares closed at 38p yesterday and, assuming a 10 per cent annual dividend increase the prospective yield is 13.2 per cent.

TKM boosted by motor and holiday business

HELPED BY buoyant motor vehicle and holiday businesses, taxable profit of Tozer Kemsley and Millbourn (Holdings), the international finance and investment group, jumped from £1.61m to £2.9m in the six months to June 30, 1978.

Improved operating results are being looked for over the full year, although the tax charge is likely to be higher, say the directors.

Last year, taxable profits were a record £5.52m.

First half trading profit increased from £1.43m to £2.29m and after associates' contributions operating profit was up from £1.9m to £2.93m. Loan stock interest was lower at £31,000 against £293,000.

The directors report that the High Street retail battle has seriously affected margins in the food business and they have been obliged to cut back output at one of the group's canneries.

Discussions regarding continuing participation in the BMW business into the 1980's are in hand, while the group's interest in commercial vehicles is being further developed by co-operation with Volkswagen and MAN recently announced, they say.

The net interim dividend is raised from 0.8252p to 0.9558p per 20p share, which directors say includes an adjustment to make good the shortfall from the 4.69p gross per share promised for 1977 at the time of the June, 1977 rights issue, resulting from the retrospective reduction in ACT—last year, gross payments totalled 4.63866p, or 3.0954p net.

Available profits for the period increased £0.89m to £1.65m, after a tax charge of £1.16m (£0.83m), debit of £118,000 this time.

A breakdown of taxation shows UK figures up from £271,000 to £958,000, while decreases were seen overseas, from £388,000 to £75,000, and for associates, from £171,000 to £127,000.

Dividends absorb £477,000 (£412,000) leaving retained profits ahead from £344,000 to £1.17m.

Freddie Mansfield

Mr. Kenneth Thorogood, chairman of Tozer Kemsley & Millbourn . . . improved full year operating results looked for

● comment

Big things are expected from TKM this year and at the halfway mark, the international finance, trade and motor vehicle distribution group is well on the way to exceeding all but the most optimistic forecasts by analysts. The pre-tax figure is 80 per cent ahead of last year and forecasts have been nudged up from around £7.25m to £7.75m. The strong demand for new cars plus profit growth in the holiday business are providing the bulk of the increase, while the management's efforts to sort out its Canadian operations are starting to be rewarded. Pierce and Price, agents for the sale of forest products, had a reasonable, if unexciting, period and the outlook for the second half is a repeat of the same. On a longer-term view, the chairman's comment that discussions regarding the BMW concession were being held raises a query about the future of the group's most profitable venture. The concession must be renewed by December next year and BMW have indicated that they are interested in TKM continuing to have an involvement into the 1980s. The share price rose 4p to 57p on the news giving a prospective p/e of 4 (taking a line through the interim tax charge) and a yields of 9.1 per cent. This is a lower than average rating for the overseas traders sector.

Runciman dividend cut after setback

WITH turnover showing little change at £19.51m, pre-tax profits of Walter Runciman and Co. slumped to £192,015 in the first half of 1978. For the corresponding period, including £804,000 surplus on sale of ships, profits totalled £1.98m.

As forecast in the last annual statement the shipping division is now exposed to the full effects of the continuing depression and although both freight rates and ship values have risen since the end of last year no sustained recovery is yet in sight. The securities and insurance divisions, however, remain profitable.

The net interim dividend per 25p share is cut from 2.5p to 1.25p and the directors forecast a final payment of 2.5p. Last year's final was 5.66p from profits of £2.59m.

● comment

Students of the timing of rights issues would do well to ponder the case of Walter Runciman. In June, 1977 it popped up with a 1-for-5 rights issue at 93p to sustain the group's momentum of expansion. It increased its dividend to 8.16p per share and forecast increased profits of £2.6m for the full year. Since then the shipping market has turned down disastrously. Half-way through the current year after tax profits have collapsed to under £100,000 and the dividend has been cut back to 3.75p. The shares now stand at 66p and the company is saying that although both freight rates and ship values have risen since the end of last year "no sustained recovery is in sight." A pity that there was not some advance warning at the time of last year's rights issue.

Savoy Hotel well down midway

Profits of the Savoy Hotel were more than halved to £432,000 in the first half of 1978, but Sir Hugh Wontner, the chairman, says the second six months should be satisfactory.

Sir Hugh explains that as anticipated, the first four months of 1978 were much less profitable than 1977 — Jubilee year. But the results in May and June this year were almost equal to those of the year before.

A dividend of 0.15 per cent, representing the reduction in the tax rate will be added to the dividend to be recommended for 1978.

The remaining multi-currency loan was repaid in August and replaced by a sterling loan of £4m for five years. A currency loss of £284,000 at repayment will be kept in the account for the year by a transfer from capital reserves.

There was not an identical pattern of trade in each of the company's undertakings, the directors say. But the total result including Forest Mere for the first time was substantially in excess of the past ten years, excluding Jubilee year.

No provision has been made in the half-year for corporation tax by reason of capital allowances.

	1978 £000	1977 £000
	Half-year	
Total receipts	11,236	10,129
Trading profits	2,080	2,318
General maintenance	1,346	1,147
Deprecn., amortn.	199	180
Div. and int. receivable	41	35
Interest payable	144	177
Profit before tax	432	873
Tax	—	334,000

At September 30, the net asset value per preferred share was 35.8p (33.1p at March 31) and per deferred 68.4p (57.5p). The valuation of investments and subsidiaries stood at £1.98m (£1.6m).

ML Hldgs. seeks to consolidate

THOUGH OVERALL trading was satisfactory, the directors of M. L. Holdings expected that the current year would be more one of consolidation than of significant growth, Mr. Ralph Price, the chairman, told the annual meeting yesterday.

Mr. Price said, the directors anticipated that group turnover would not increase significantly in the current year. "While this year will prove to be largely one of consolidating on the record achievements of the previous year, I view with optimism the prospects in future years for growth in profitability and level of activity of the group."

For 1977-78, pre-tax profits reached £708,000, on turnover of £12.29m.

M. L. Aviation and its sister company M. L. Engineering were in excellent shape, said the chairman. Although stage two of a potentially large U.S. contract would not be forthcoming, this project was never included in the group's forward financial plans, and it was now free to enter the European market with the designs resulting from this project.

"M.L.'s signalling schemes business in Plymouth, with its half-ownership of an Australian company has many interesting tenders in the pipeline and is making satisfactory progress," members were told.

Its refrigeration and air conditioning business, now slimmed down, was expected to contribute to group profits in the current year, and M. L. Components continued to be profitable.

Crown Foundry's new "vacuum" process was now operating satisfactorily, and the old foundry was therefore being closed—provision has been made in the present financial year for the cost of the redundancies involved in this change.

Scott & Robertson well ahead

FOR THE half year ended August 25, 1978, external turnover of Scott and Robertson improved from £8.75m to £8.85m and pre-tax profit was higher at £312,000 compared with £125,000 in the same period last year.

The directors say the improvement is in line with the chairman's annual statement of a slow start followed by a gradual improvement, reflecting the difference in economic conditions.

Present indications are that this improved level of trading is being maintained.

The interim dividend is lifted from 0.914p to 1.532p—the total last year was 2.744p from pre-tax profits of £522,000.

Little change at R. Goodwin

From turnover ahead at £4.34m against £3.71m previously, taxable profit of R. Goodwin and Sons (Engineers) was little changed at £404,553 in the April 30, 1978, year compared with £402,299 last time.

After tax of £217,552 (£219,800) net profit was £186,963 (£182,499) and earnings per share are shown at 2.6p compared with 2.53p. The dividend is lifted from 0.507694p to 0.51539p net per 10p share.

ALLIED BREWERIES

Allied Breweries announces that holders of the J. Lyons convertible unsecured loan stock have agreed to cancel the conversion rights, in consideration for an increase of ¾ per cent per annum in the interest rate.

Acceptables have now been received in respect of more than 90 per cent of each class of Lyons shares.

Auditing error at R. Green Properties

An accounting mistake by accountants Stoy Hayward cuts £125,000 from R. Green Propreties after tax income for the year to the end of June, 1978. Stoy Hayward, who act as both tax advisers and auditors to the property group, double counted tax losses. Mr. J. Mepham Green's joint managing director explained yesterday that accountants added the same tax loss as a separate charge against both company and group income.

In a statement to the Stock Exchange yesterday Green revealed the mistake and showed that it means restating the group's tax charge, increasing it from the £188,199 reported earlier to £313,199. This cuts attributable profits from £510,075 to £385,075 and earnings per share from 3.16p to 1.18p.

Mr. Mepham said yesterday that, despite its auditors role, Stoy Hayward has advised the company on tax matters for some years. He comments that, "we are basically property people, tax has got so complicated that we cannot be expected to understand all the ins and outs of the system." The partner in charge of R. Green's account at Stoy Hayward was unavailable for comment yesterday.

ASSOCIATES DEAL

Bell Lawrie MacGregor and Co. bought 30,000 Dawson at 201p on behalf of discretionary clients.

English National Inv. makes headway

Gross revenue of English National Investment Co. improved from £87,276 to £107,846 in the six months to September 30, 1978.

Interest charges and expenses took £28,071 (£28,361) and tax £26,288 (£20,695), leaving the net balance at £53,287 (£38,220).

Stated earnings per 25p preferred ordinary share are 1.02p (0.87p) and per 25p deferred ordinary 1.64p (1.04p). The net interim dividend on the prefered is 0.89p (0.79p), costing £17,800 (£15,800), and on the deferred 1.11p (0.71p), costing £22,200 (£14,200). Last year's totals were 1.83p and 2.42p respectively. The directors expect to at least maintain final dividends.

ISSUE NEWS

Yearlings ease to 10⅞%

The coupon rate on this week's batch of local authority yearling bonds has dropped slightly from 11 per cent to 10⅞ per cent. They are issued at par and are due on October 31, 1979.

The issues are: Woking Borough Council (£0.5m), Sefton Metropolitan Borough Council (£0.5m), Borough of Scunthorpe (£0.5m), Beaconsfield District Council (£0.25m), Kirkcaldy District Council (£1.5m), Bedfordshire County Council (£0.5m), Newport Borough Council (£1m), Northamptonshire County Council (£0.5m), Salisbury District Council (£0.5m), South Bedfordshire District Council (£0.25m), South Derbyshire District Council (£0.25m), Metropolitan Borough of Wigan (£0.5m), City of Salford (£0.75m) and Isle of Wight County Council (£0.5m).

Borough of Ellesmere Port and Neston is raising £0.5m by way of 12.5 per cent four-year bonds due on October 20, 1982. They are issued at par. Borough of Broxbourne is raising £0.5m by way of variable rate bonds due on October 19, 1983, issued at par.

Marlborough Property

Dealings are expected to start in Marlborough Property Holdings on October 31, providing shareholders of Chown Securities approve plans to merge with Marlborough at an EGM the previous day.

The prospectus, outlining the proposals, is made public today.

Marlborough, a private property company, is coming to the market via a reverse takeover of Chown.

Existing Marlborough shareholders will ultimately own less than 85 per cent of the enlarged equity to prevent the company becoming "close" for tax purposes.

W. L. PAWSON

W. L. Pawson and Son's recent one-for-two rights issue of 1.97m new ordinary shares has been taken up as to 1.94m shares (98.37 per cent).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Assam Trading	7.5	Dec. 7	2.29	7.5	2.29
Assoc. Leisure ......int.	1.5	Feb. 3	1.3	—	3.02
B. & I. Nathan ......int.	1.1	Dec. 27	1	—	3.3
C. H. Pearce	2.49	Jan. 5	2.23	3.78	3.39
Booth (Intnl.) ......int.	1.51	Dec. 20	1.49	—	4.39
City & Intl. Tst.	3.2	Dec. 11	2.77	4.7	4.07
Ductile Steels	3.49	Dec. 6	3.3	5.41	5.05
EDITH ......int.	0.8	Dec. 1	0.68*	—	1.82*
English National Inv. Pref. ord. ......int	0.89	Dec. 1	0.70	—	1.83
English National Inv. Defd. ord ......int.	1.11	Dec. 1	0.71	—	2.42
R Godwin & Sons	0.52	Dec. 6	0.51	0.52	0.51
Paterson Zochonis	5	—	6.08	8	7
Renong Tin	7§	Dec. 4	3.5	8.5	5
Walter Runciman ......int.	1.25	Jan. 5	2.5	—¶	8.16
Scott & Robertson ......int.	1.53	Jan. 3	0.91	—	2.74
Tozer Kemsley ......int.	0.96	Jan. 4	0.83	—	3.1

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes adjustment to make good 1977 shortfall. § Subject to Malaysian income tax at 40 per cent. ¶ 3.75p forecast.

Atlantic Assets Trust

Atlantic Assets Trust currently has a portfolio of interesting investments and considerable liquid resources from the sale of its major Canadian investments and directors intend investing this liquidity internationally within the traditional policy of the company, Mr. J. V. Sheffield, the chairman says in his annual statement.

As previously reported Atlantic achieved a £14m profit on the sale of its holdings in Woodford Investments and Yukon Consolidated Gold Corporation after the June 30, 1978, year end, and in anticipation of the sale invested £4m in Damson Oil of the U.S. Also through the sale of Yukon and Woodford it ended with a 6 per cent stake in the purchaser, Teck Corporation and purchased Woodford's 5.8 per cent interest in Shared Medical Systems.

Mr. Sheffield says the Government is to be congratulated on the removal of the dollar premium surrender and the reduction from 17 per cent to 10 per cent in the rate of capital gains tax charged on investment trusts.

The proceeds from the sale of its Canadian interests would have been much reduced but for the changes, and he says the increased freedom will in future bring benefits to both the shareholders of investment trusts and the country.

As already reported the pre-tax surplus for the year increased from £295,688 to £349,265. At year end total assets were £46.79m (£34.72m) representing 147.9p (100.7p) per 25p share.

During the year the trust also spent £540,000 buying a 29 per cent stake in its managers, Ivory and Sime. Other major investments of the trust include Oil Exploration (Holdings), Save and Prosper Group, European Community Trust, Pennzoil Company and United Scientific Holdings.

Meeting, Edinburgh, November 5 at noon.

CRAY ORDER BOOK HIGHER

Mr. W. R. Haines, chairman of Cray Electronics said at yesterday's annual meeting that the forward order book amounted to £...m. This was £1m higher than reported a year earlier.

Shortfall at Ductile Steels despite second half surge

ALTHOUGH second-half profits of £3.24m compared with £2.58m recovered some of the £1.27m first-half shortfall, pre-tax profit of Ductile Steels ended the July 1, 1978, year down from £5.73m to £5.11m.

The trading profit of £5.51m against £6.13m includes an 11-month contribution from Newman Tubes totalling £1.23m. Turnover was £82.56m (£73.28m).

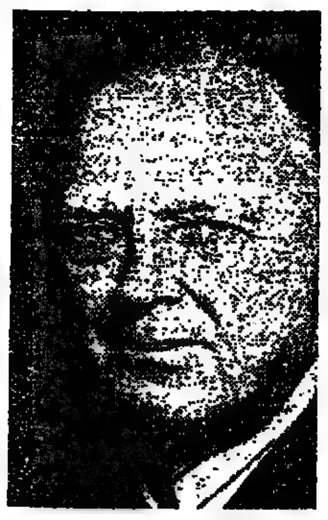
Mr. R. Sidaway, the chairman says the upturn hoped for following the encouragement given last year to industrial countries to reflate has not been realised. Also, one of its most important customers, the motor-car industry has allowed foreign competitors to take an increased share of the UK market resulting in a reduced demand for many of Ductile's products.

Based on ED19, tax for the year was £2.14m and last year's figure has been adjusted to £931,000, reflecting the high level of stock relief claimed. Net profit came out at £2.97m (£4.79m) with earnings per 25p share given at 23.46p against 42.74p. The dividend total is stepped up from 5.0491p to 5.4125p net by a final of 3.4864p.

In the steel re-rolling division, results were worse than those of the previous year at £2.65m against £3.95m which included substantial stock profits. The Dudley Port rolling mills enjoyed a reasonable demand on 7-in and 9-in mills but difficulty was experienced in obtaining the increased volume required by the new 14-in mill, although productivity has improved, Mr. Sidaway says.

The Ductile cold mill increased its market share which enabled it to work at about three-quarters of its increased capacity. The Ductile hot mill worked at a similar capacity and became more involved in flats for the stockholding and bright drawing trade, while the Ductile planetary mill suffered from a serious reduction in volume which is continuing. The group has recently enjoyed an improvement in margins which directors hope will help in restoring profitability.

Ductile Sections supplied increased quantities of perforated strip to the tube division and



Mr. Ronald "Bill" Sidaway, the chairman of Ductile Steels . . . an improved first half expected this year

other tube manufacturers and it plans further increases in the second half of the current year. On the whole, however, the year was disappointing. At Metalon Steels trade was depressed for most of the year but there was some improvement over the last three months. The technical problems on the iron foil plant referred to last year were largely overcome, but it became apparent that much more development was needed before it attained the volume originally planned. After discussions with the Electricity Council, from whom the group held the licence, a mutually satisfactory agreement was made under which they have purchased the plant from us.

In the stockholding division, Ductile Steel Stockists had results similar to last year. The international effect of over-capacity in the steel industry has led to fierce competition with the inevitable effect on margins, he says.

In the tube division most companies achieved satisfactory results under difficult trading conditions but, as in the case of the steel re-rolling division, the absence of large stock profits affected the comparison with the previous year.

Newman Tubes, the most recent acquisition, made a valuable contribution of £1.23m and its two stockholding companies are continuing to expand. At Monmore Tubes more technical development took place on Spectra-Coat, the new coloured nylon-coated tube and the project is beginning to show progress, he says.

The Tipper companies continue to do well despite a serious fire which destroyed the main offices. Fensecure, the fencing company, is making progress and is now well established and making a valuable contribution to our profits.

On the engineering side Ductile Engineering had a good year and exports to the Middle East remained strong. The engineering side of the business remained low and the prospect for any improvement does not appear good at present. Langley (Tube Machines) had a good year with its products in strong demand. Its order book is firm and new machine tool developments should stand them in good stead for the future, the chairman says. At E. Nicklin and Sons the forging and cycle chainwheel trade tended to be weak owing to strong competition from eastern European countries and the Far East.

On the future, the chairman says it is difficult to see anything on the horizon that gives rise to great optimism for the coming year, but he is hopeful that the first half will show an improvement on last year. An increase in output and productivity in the motor car industry in particular would be of the greatest benefit to the future of the group.

During the year a £4.73m surplus on the revaluation of properties was credited to reserves as was £3.31m of deferred tax. Goodwill arising from the purchase of Newmans Tubes totalling some £3m was deducted from reserves. At year end shareholders' funds were £27.78m representing net assets of £2.13 per share.

A current cost statement shows the year's profit reduced to £3.4m by additional depreciation of £0.85m and a £1.15m cost of sales adjustment, offset by a £288,000 gearing adjustment.

	1977-78 £000	1976-77 £000
Turnover	82,558	73,277
Steel rerolling, stockhldg.	55,317	55,898
Tubes, fittings	†23,273	14,081
Engineering	3,968	3,298
Trading profit*	5,506	6,131
Steel	2,647	3,950
Tubes	†2,607	1,862
Engineering	251	319
Other income	67	97
Interest payable	463	493
Profit before tax	5,109	5,725
Tax‡	2,137	931
Net profit	2,972	4,794
Pref. dividends	4	4
Attributable	2,968	4,790
Ord. dividends	694	615
Retained	2,274	4,175

† Includes Newmans Tubes. * After depreciation of £897,000 (£703,000). ‡ Based on ED19, 1976-77 adjusted.

● comment

After a terrible first half, the results from Ductile Steels are better than feared. Although taxable profits are 11 per cent lower (or 32 per cent without Newman) last year's outcome was boosted by stock profits of roughly £1.3m. The breakdown this time is more evenly divided between tubes and the historically more important steel division, where profits fell by one third. Disputes and generally poor demand from the motor industry have been the chief problems but the second six months saw a slight pick up. Tubes and fittings profits were 40 per cent up (thanks to Newman) but margins have suffered from overseas competition. This side has a much wider customer base. Meanwhile engineering profits are one fifth down though the performance here is creditable given tough conditions and conservative accounting. Like others in the sector Ductile can only wait for the clouds to clear but in the meantime it is financially strong. Although total borrowings are unchanged (due to acquisitions), the overdraft is down from £5.3m to £2m, largely thanks to lower working capital requirements. At 181p the shares are on a p/e of 5.4 and yield 6.3 per cent.

Advance by City & International

For the year to August 31, 1978 City and International Trust reports gross revenue ahead from £1.13m to £1.28m and pre-tax revenue up from £0.96m to £1.07m.

Tax for the 12 months took £399,316 against £374,327 leaving the net balance at £675,246 compared with £582,917.

Franked income amounted to £864,962 (£658,470) and unfranked to £417,995 (£466,760). Administration expenses took £59,307 (£55,911) and interest charges £149,088 (£112,075).

Stated earnings per 25p share rose from 4.17p to 4.62p and the dividend total is lifted 15.5 per cent from 4.07p to 4.7p with a final payment of 3.2p net.

The net asset value per share was 139.6p (119.4p) at August 31, 1978. Allowing for full conversion of loan stock the net asset value would have been 139.3p compared with 119.1p.

	1977-78 £	1976-77 £
Franked income	864.962	658.470
Unfranked income	417.995	466.760
Gross revenue	1,282.957	1,125.230
Admin. expenses	59.307	55.911
Interest charges	149.088	112.075
Revenue before tax	1,074.562	957.244
Tax	399.316	374.327
Revenue after tax	675.246	582.917
Pref. dividends	21.000	21.000
Available for Ord	654.246	561.917
Ord dividends	[illegible]	547.992
Retained	13.912	13.925

Asprey ahead to peak £3.2m

For the March 31, 1978, year, pre-tax profit of Asprey and Co. advanced from £2.97m to £3.24m on turnover ahead from £14.64m to £15.99m.

After tax of £1.29m (£1.25m), net profit came out at £1.95m against £1.72m and earnings per 25p share of this "close" company are shown at 530.55p (460.4p). The ordinary dividend absorbs £68,000 (same).

The company operates as a goldsmith, silversmith, jeweller, leather worker and antique dealer.

Dividend income boost at EDITH

WITH GROSS dividend income up 18 per cent from £885,000 to £1,045,000 pre-tax revenue of Estate Duties Investment Trust advanced from £1,105,000 to £1,187,000 for the six months to September 30, 1978.

The directors expect the rate of increase in dividend income to be more than maintained for the full year, when they expect the figure to exceed £2.2m, compared with £1,849,000 last year.

However, pre-tax revenue is expected to show a smaller increase—the 1977-78 figure reached £2.20m.

First-half gross revenue improved from £1,219,000 to £1,344,000 and comprised dividend income, lower interest received totalling £295,000 (£328,000) and fees and commissions of £4,000 (£6,000). Expenses took £157,000 (£114,000).

Interest received was split as to: £182,000 (£173,000) on British Government stocks; £90,000 (£94,000) on other investments; and £23,000 (£61,000) on surplus funds.

On increased capital, the interim dividend is effectively raised from 0.6818p to 0.8p net per 25p share. Last year's total was an equivalent 1.8182p, after a share subdivision and a one-for-10 scrip issue.

Following the first of its share exchanges in November, 1977, the company made three further exchanges during the half year. These involved the issue of 2,236,037 new shares and are expected to yield a gross dividend income of over £150,000 in a full year.

Over £2.3m has been invested in new business during the period, nearly the same as last year's record for a full year.

Associated Leisure up 68% to £2.9m midway

PROFITS before tax of Associated Leisure amounted to £2.85m for the 26 weeks ended September 10, 1978 an increase of 68 per cent over the £1.69m achieved in the same period last year.

Although recent acquisitions have a seasonal bias in favour of the first six months, the directors are confident that the satisfactory trading progress will continue for the rest of the year.

The interim dividend is lifted from 1.3p to 1.5p per 5p share—the total last year was 2.01855p and pre-tax profit £3.49m.

	26 weeks 1978 £000	1977 £000
Turnover	14,783	10,601
Trading surplus	5,353	3,454
Depreciation	2,370	1,781
Trading profit	3,983	1,673
Interest & divs. receivable	48	161
Interest payable	183	144
Profit before tax	2,850	1,690
Tax	1,140	676
Minorities*	19	—
Attributable	1,691	1,014

* And pre-acquisition adjustment.

● comment

Associated Leisure has started 1978-79 in much the same vein as it finished last year with first half profits nearly 70 per cent higher. Once again the growth reflects a small increase in new sitings—about 3 per cent—in an extremely volume sensitive business although first time contributions from acquisitions were about £230,000 net of finance costs. The market in amusement machines received a boost from the Gaming Board decision in February to increase the permitted payout of machines in pubs to £1 in tokens and 30p in cash. This resulted in a higher utilisation factor which in turn stimulated demand for machines. Margins benefited further from the continuing reduction in servicing costs as the change over to micro processors gains pace—it will take a further two years before the complete range of amusement machines will be fitted with micro processors. Following the move to diversify into hotels and holiday camps—the plans are for a steady build up to obtain a 50/50 trading split—there is now a 60-40 per cent trading bias in favour of the first half. This implies profits in the region of £4.8m for the full year giving a p/e of 6.7 at 73½p which, with the backing of a yield of around 7 per cent, seems to be overlooking the growth image.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Border Breweries (Wrexham), Burrell, Caledonian Associated Cinemas, Continental Union Trust, Downiebrae, Gill and Duffus, Greenbank Industrial, Philip Hill Investment Trust, Hopkinsons, Hoveringham, Lilleshall, Lindsay and Williams, More O'Ferrall, PMA, Peerage of Birmingham, Spillers, Unilex, Youghal Carpets.

Finals—British Assets Trust, Ellis and McHardy, Walter Lawrence, MTD (Mangula), J. Smart (Contractors).

FUTURE DATES

Interims—	
Bambergers	Oct. 27
British Investment Trust	Oct. 27
Clarke (Clement)	Nov. 7
Findlay (Andrew R.)	Nov. 2
HAT	Nov. 14
Hartwells	Nov. 6
Hickinz Pentecost	Nov. 28
Lloyd (F. H.)	Nov. 17
Pawson (W. L.)	Nov. 7
Pritchard Services	Nov. 1
Smith (W. H.)	Nov. 14
United Kingdom Property	Nov. 2
Young and Co's Brewery	Nov. 14
Finals—	
Arenson (A.)	Nov. 7
Berry Trust	Nov. 3
Lucas Industries	Nov. 6
M.Y. Dart	Oct. 30
Stothert and Pitt	†Nov. 3
Sungei Bahru Rubber Estates	Nov. 3
Surmah Valley Tea	Oct. 26

† Amended.

Rediffusion TV reaches £11.3m

ON turnover of £60.86m against £50.64m, pre-tax profit of Rediffusion Television amounted to £11.31m for the year ended July 29, 1978, only slightly below the previous year's record £11.50m.

The final dividend is 48.0229p making a total of 63.0229p (69.3404p). The company is a subsidiary of B.E.T. (62½ per cent) and Rediffusion Limited (37½ per cent).

Rise at City of Aberdeen Land Assoc.

Including interest of £14,978, against £13,680, taxable profit of City of Aberdeen Land Association surged from £157,884 to £235,689 in the June 30, 1978, year. Turnover was up from £1.23m to £1.55m.

After tax of £125,160 (£84,759) earnings per 50p share are shown at 12.13p against 9.02p last time. A final net dividend of 3.32p takes the total for the year from 4.06346p to 4.52p.

Directors say that land held for development previously included under fixed assets has now been treated as appropriated to trading stock and the 1977 accounts have been restated accordingly. The effect of this change has been to increase the 1978 tax provision by £3,074 (£2,637).

TSB launches new gilt fund for expatriates

A new gilt fund for expatriate investors is being launched today by the Trustee Savings Banks.

The fund, which is based in Jersey, will invest mainly in British Government Securities and income will be paid before deduction of tax. The Jersey base was chosen to avoid major tax problems facing any gilt unit trust operating from mainland Britain.

The trust's tax advantages will appeal particularly to investors resident outside Britain—but pensioners and other British residents on very low incomes will also benefit from the arrangement.

The Trustee Savings Banks are launching the fund in readiness for next year, when their access to the Government's National Stock Register will end. At present their access to the Register means not only that they can deal in gilts on favourable terms but income on securities bought through the Register is paid before deduction of tax.

The new fund has been set up by the Trustee Savings Banks' TSB Trust Company and the investment advisers are the Central Trustee Savings Bank.

The TSB Trust Company is also launching a second fund, TSB Gilt Fund (Jersey), designed specifically for Jersey residents.

The minimum investment in the main gilt fund will be £500 and agents will be paid 1 per cent commission. The managers will charge a fee of 1½ per cent of the offer price initially and there will be an annual charge of ½ per cent.

The starting yield of the main fund is expected to be 12 per cent.

Nigerian Electricity Supply ahead to £0.65m

WITH TURNOVER ahead from £1.47m to £1.72m taxable profit of Nigerian Electricity Supply Corporation increased from £575,728 to a peak £651,396 in the February 28, 1978, year. The profit includes interest receivable of £59,349 against £74,849 last time.

The tax charge was ahead from £272,801 to £410,811 reflecting the increase in the Nigerian tax rate coupled with a restriction on double tax relief available against UK corporation tax and lower transitional relief, Mr. R. H. McGill, the chairman, says. After minority interests ahead from £66,150 to £86,986 following the increase in the Nigerian shareholding in the subsidiary attributable profit was £153,599 (£236,768) and earnings per £1 share are given at 14.70p (22.75p). As previously announced, there were two interim dividends totalling 13.2p (11.375p).

On the future, directors say the impending change from military to civilian rule in Nigeria and the growing proportion of the subsidiary's output supplied to the Nigerian Electric Power Authority cast some degree of uncertainty, but say the current year results to date are much in line with last year. The continuing reduction in the parent company's interest in the subsidiary (now 70.74 per cent) will tend to reduce dependence on this source of income.

Arrangements with the Plateau State Government for it to purchase a further 33 per cent in the subsidiary in April this year were unable to be completed owing to a lack of available finance. Eventually, 7.58 per cent of the capital was sold to PSG on October 4 for £293,670 and the subsidiary's Nigerian Staff Provident Fund acquired 2 per cent for £78,000. Application has been made to remit the funds from the sales to London.

The new owners were entitled to all dividends declared on or after November 30, 1977, and Mr. McGill says that the accounts of the parent company could not be completed until the amount of dividend to which it was entitled could be determined. Dividends receivable from the subsidiary amounted to £201,485 and an application to remit this sum has been made.

To comply with Nigerian regulations the company has to place a further 10.47 per cent of shares in local hands and negotiations are now in hand. It is hoped the PSG will be able to procure additional finance to participate in the placing.

In the year, sales of electricity units increased 9.5 per cent reflecting the expansion of NEPA's consumer network. Mr. McGill says the construction division performed its work creditably in the year and made good progress on the NEPA contract for the electrification of 18 towns in the Plateau State. Five towns were ready for commissioning in February and the remainder of the contract is ahead of schedule.

Because of the group's reducing involvement in power generation in Nigeria, directors are proposing to change the company's name to Nesco Investments.

At year end, total net assets were £5.81m against £5.64m with net current assets accounting for £2.46m (£2.21m). Cash and bank balances were £1.36m (£1.4m).

London Trust Company owns 11.53 per cent of the shares.

Meeting 11 Southampton Row, WC, November 16 at noon.

ملحق الاعلام

Hard battle in Talbex bid for Hoskins and Horton

BY TIM DICKSON

AN INTRIGUING and surprisingly bitter take-over battle is developing, following unusual moves by Talbex to acquire Birmingham hospital equipment and building materials supplier Hoskins and Horton.

No bid terms have so far been announced—and yet sufficient flak has already been fired to keep the boardrooms of both companies and their financial advisers more than busy. Much of the jockeying has admittedly taken place behind the scenes, but two of the public moves so far have raised more than a few eyebrows among City observers.

First of all, Talbex has taken an extremely unusual step in calling an emergency general meeting tomorrow, specifically to gain shareholders' approval for its previously mooted plan to make the bid. Next, Hoskins, which had already rejected "unsolicited" approaches from this suitor, took the controversial step of writing to the same Talbex shareholders in an effort to sway the vote.

According to the Talbex board, the meeting will be binding so a veto by the shareholders, although unlikely, could finish the matter.

In the last 12 months Talbex, an industrial holding company with soap, aerosol and hair-dressing interests, has radically changed its character. The group is now closely linked to Bahamas-based Artoc Bank, which owns almost 30 per cent of the Talbex equity. Three Artoc directors, including joint managing director Mr. Peter de Savary, are on the Talbex board.

It is widely accepted that Artoc, which has access to considerable Middle East cash resources, has adopted Talbex as its investment vehicle in the U.K. Earlier this year, for example, Talbex made an agreed bid for insurance broker James Warren, whose activities are thought capable of expansion in the Middle East. Talbex has also recently bought A. P. Skelton from Artoc in a deal which, through the issue of shares, considerably strengthened the Artoc-Talbex relationship.

Artoc's influence at Talbex follows other colourful chapters in this company's recent past.

Merchant banker Mr. Fredrick Stebbing, former Freshlake Foods director and one-time Talbex chairman, was one of the first with grand designs for the group. But after a successful takeover of Talbex, some subsequent moves on the acquisition front, and some ambitious talking, he stepped down from executive control of Talbex.

Mr. Stebbing's name was later mentioned in an auditor's investigation into Dorchester Finance Company, a Talbex subsidiary shown at that stage to have possible losses of £450,000. "The money involves loans made to private companies with which Mr. Stebbing is associated," the company's brokers said at the time.

Former Tory Cabinet Minister Mr. Peter Walker was another well known individual associated with Talbex. Mr. Walker's stake formed part of a 26 per cent block bought by the Rossminster Group and Security Selection, the latter headed by Mr. Timothy Yeo. Although not a controlling interest, this holding attracted much publicity and helped the Talbex shares price recover somewhat after the Dorchester fiasco.

Unfortunately the Walker chapter coincided with another financial disaster: eight months after Talbex paid a nominal £1 for London Plastic Packaging, the receiver was called in to LPP and substantial losses reported. The sale of Walker's stake helped Artoc to buy its way into Talbex.

Talbex's results in the last few years have certainly been patchy, but in the year to July, 1978, the company turned in profits of £573,000.

Hoskins and Horton, it is fair to say, has a less flamboyant past.

Headed by Mr. Stephen Lloyd, of the Lloyd banking family, its hallmark is solid Midlands connections. The Hoskins part of the business, was originally owned by the famous Chamberlain family, which passed it on to Stephen Lloyd who married Neville Chamberlain's daughter.

Hoskins later merged with the Horton companies in the early 1960s. It was Mr. Horton's stake which was recently bought by Artoc bringing the bank's holding in Hoskins and Horton to just under 30 per cent acquired at an average price of 136p. This was subsequently passed on to Talbex at a price of 159p per share, in an effort to clear up any possible doubts over a dual holding in a bid struggle.

Hoskins and Horton's track record has been eight years of steady if unspectacular growth, broken last year when profits were halved at £374,000. The hospital equipment side was badly hit by cuts in National Health Service spending but, following an improvement in interim trading profits this year, the company claims to be back on the right tack.

Publicly Hoskins has argued vehemently that there is no commercial logic to a merger with Talbex.

It points out that Talbex in its public statements has not offered any complementary benefits for Hoskin's building materials side, which produced most of last year's trading profit.

Talbex, on the other hand, is convinced it can provide new expertise and new products, and introduce Hoskins to new opportunities, especially in the Middle East.

Hoskins and Horton further argues that its employees are strongly against a takeover. Moreover, it stresses its strong regional loyalty and pride, an element which apparently extends to the shareholders' register. Hoskins claims that roughly 50 per cent of shareholders are known to oppose a Talbex bid—barring, of course, an offer they can't refuse.

Hoskins has also publicly urged Talbex shareholders to think twice about granting their directors absolute discretion over the terms they offer.

Behind this lies Hoskins' apparent concern that Artoc, waiting in the wings, is poised to make a bid for Talbex. Talbex has indicated that any offer would be funded mostly in shares, underwritten by cash. Artoc has also announced its intention to assist the underwriting. Hoskins and their advisers suggest that this could take Artoc's stake in Talbex above 30 per cent and thus trigger a bid.

Talbex, conversely, claims that this argument is a complete red herring: Artoc's stake, it promises, will not rise above 30 per cent while a spokesman for Talbex's financial advisers Guinness Mahon said his bank was "the most likely other underwriter."

Talbex also points out that it was never obliged to call an EGM: with the Artoc stake abstaining, however, it gives other shareholders an opportunity to voice their feelings.

Tomorrow's vote (unlike the Allied Breweries meeting) will be taken in advance of any bid terms. It also comes in the wake of some unusual developments of which, assuming a positive outcome from the meeting, there are undoubtedly more to come.

THE PROTAGONISTS

TALBEX: a diversified company with soap, aerosol and hair-dressing interests. Closely linked to the Artoc Bank.

HOSKINS AND HORTON: hospital equipment and building materials supplier, 30 per cent owned by Talbex.

Peter Walker—

BIDS AND DEALS

Dawson forecasting better than expected £14.5m

BY TERRY OGG

Dawson International will earn at least £14.5m in the year to March 31, 1979 and its net tangible assets are approximately £53m, more than double the 1978 balance sheet figure of £23.7m. Mr. Alan Smith, Dawson's chairman says in a letter to be sent to shareholders today.

The profit compares with last year's £15.5m and is well above the range of estimates by City analysts prepared following Mr. Smith's comment in the annual report that "the unusually favourable conditions which applied in 1977/78 are unlikely to be exactly repeated in the current year."

The letter follows a circular sent to Dawson shareholders on Monday by William Baird indicating it would not raise its offer price and urging acceptance of its £31m cash and share offers for the Dawson shares it does not already own.

Dawson's advisers, Samuel Montague last night said that the Dawson chairman's earlier comment on likely profit trends may have been a bit cautious. The advisers said that since that comment there had been an influx of "the right sort of tourist" who were buying Dawson quality knitwear. They pointed out that on the basis of the forecast and a 46 per cent tax rate the prospective earnings per share is 37.4p giving an exit p/e of around 3 at the Baird cash alternative of 100p for each Dawson share.

The profit forecast is based on the assumption that Dawson's present management and accounting policies are not changed; that there will be no material adverse effects from industrial disputes; that pay increases are within the Government's guidelines; that exchange rates do not vary significantly and that the composition of the Dawson group does not alter.

The forecast is also based on the assumptions that the price of cashmere will not fall in the next eight months as this could necessitate stock provisions; and that the revaluation of fixed assets is not incorporated in the accounts. Depreciation is thus calculated by reference to the historical values of the assets.

The revaluation includes a significant jump in the value of property, plant and equipment and includes the benefits of adopting latest accounting practice by transferring deferred tax provisions to reserves.

In pence per share terms the revaluation lifts the net tangible assets per share from 107p to over 244p. The revaluation of land and buildings adds 34p; revaluation of plant and machinery adds 83p and the adoption of the deferred tax standard adds a further 20p.

Yesterday, William Baird's share price closed steady at 182p valuing Dawson on a share and cash basis at 201p. The Dawson price closed 3p down at 193p.

COMMON BROS. —MENTEITH DEAL FALLS THROUGH

Less than a week after announcing that he was negotiating with Menteith Investment Trust to buy a 16 per cent stake in Common Brothers, Mr. G. A. Common, the joint managing director of Common, has admitted that the deal has fallen through.

On Thursday when the proposed deal was announced, Common's shares rose to a peak of 185p before settling down to 172p, an 8p increase on the day.

Since then the price has drifted down and yesterday was unchanged at 154p even after Mr. Common's admission.

At that level the shares are still 4p above the price Mr. Common was to have paid for the Menteith stake — amounting to just over £800,000 in total. The deal would have given Mr. Common around 27 per cent of Common's shares but the purchase "would not be associated with any larger transaction" which would mean a full offer for the company, the board of Common said at the time.

SOLICITORS' LAW PURCHASE

Solicitors' Law Stationery Society has acquired C. E. Dawkins (Typesetters) for £140,000 which represents the asset value of that company. The consideration is being satisfied by the issue of 183,334 ordinary, together with a cash payment of £30,000.

NORMAND ACQUIRES DISCO & SUPAFLEX

Normand Electrical Holding has acquired Disco and Supaflex Drives for £205,500 cash.

For 1977 Disco and Supaflex Drives showed profits before directors' remuneration and tax of £40,000 and for the six months ended June 30, 1978 management accounts revealed profits of £31,000.

The book value of net tangible assets at December 31, 1977 was £114,000 before deducting deferred tax amounting to £26,000.

BLACK & EDGINGTON BUYS MORE OUTLETS

Black and Edgington, the camping, caravan and protective clothing manufacturer, has agreed to acquire Countrywide Leisure Holdings for not more than £800,000.

Countrywide is a major retailer of caravans in the north east of England where it has five depots. It also acts as retailer and wholesaler of camping equipment and caravan accessories.

The price will be satisfied by an initial payment of £201,000 in cash and the issue of 324,000 ordinary stock units of 50p each. The balance of the consideration is related to the net profits achieved by Countrywide in the year to October 31, 1978 which the directors consider will be about £125,000. Net assets being acquired inclusive of deferred tax amount to some £600,000.

Mr. R. G. Duthie, chairman of Black and Edgington, said yesterday that this acquisition would considerably strengthen B and E's caravan and camping interests in the north east of England.

PENTOS KEEPS OPTIONS OPEN

Pentos is still keeping open its options over the bid for Midland Educational. In view of the multiple bidders, Pentos has won permission from the Takeover Panel to keep its offer open until November 21 although acceptances so far amount to only 5.08 per cent of the ordinary and 13.30 per cent of the preference shares.

H & C PURCHASE

Harrisons and Crosfield has agreed to acquire the 4,268 outstanding ordinary shares in Durham Chemical Group for a consideration of 3,972 ordinary shares of Harrisons.

Brown Brothers expects maintained growth rate

A GOOD rate of growth in profits and sales is expected to be maintained at Brown Brothers Corporation, according to Mr. E. G. Spearing, the chairman, in his annual statement.

Members are told that the group continues to plan and work for growth in all its key distribution and manufacturing activities, which means further development of its automotive markets in I.C.I. refinish paints, car and truck components and accessories and vehicle servicing equipment.

Growth will come from the group's established branches, increasingly from those more recently opened as they develop and from eight new facilities planned to be opened this year, Mr. Spearing states.

The directors will continue to examine acquisition possibilities in distrbiution where these relate closely to the supply and servicing of car and truck aftermarkets for parts.

Plans for manufacturing give top priority to the development of a much higher content of proprietary items, the chairman adds. Close co-operation with Dana Corporation, which owns some 69 per cent of the group's equity, is providing excellent opportunities and new projects are planend for the current year.

As reported on September 20, pre-tax profits for the 18 months ended June 30, 1978 reached £4.64m, compared with £1.98m in the previous 12 months. Sales for the period amounted to £106.26m (£58.88m).

On a C.C.A. basis, profits were reduced to £3.02m (£0.86m), after adjustments on the cost of sales of £2.44m, additional depreciation of £0.38m, partially offset by £1.2m gearing.

Exports doubled from £2m for 1976 to £4m in the 18 month period. Profits on exports increased at a higher rate than sales, Mr. Spearing points out.

He says that the period was one of great activity. An additional 33 traditional style branches were opened, while six new branches, trading as Truckline and serving the truck market, were added. Three trade Cash and Carry operations were also opened, and five branches in the north-east were acquired with the purchase of GNU Autoparts.

The net result of this activity was that at the end of June, Brown Brothers distribution company had 123 outlets against 68 a year earlier.

The group's manufacturing companies performed well in some difficult market conditions, the chairman reports. Sales increases were greatest in fasteners and motor products although more growth in the latter would have been achieved but for disputes in the motor industry. Sales of aircraft parts fell due to the difficult situation within the UK aerospace industry.

Despite this, both companies in the division increased productivity and capital expenditure has been maintained at a high level.

Although Irons and Dean, acquired in March, made a neglibile contribution to 1977-78 group results, having been consolidated for four months, the directors look for a useful return in the current year.

At June 30, 1978, the group's bank overdraft stood at £3.69m compared with £0.23m at December 31, 1976. Working capital decreased by £4.48m (£1.12m).

Meeting, Great Eastern Hotel, EC, November 17, 11.30 am.

Assam Trading off target

REPRESENTING almost entirely the contribution from its associate company McLeod Russel, pre-tax profits of Assam Trading (Holdings) improved from £2.04m to £2.86m for the year to March 31, 1978. In May the directors estimated that profits would top £3m.

Earnings per £1 "B" stock unit are shown to have risen from 90.2p to 106.61p and as indicated in the directors' interim statement the net dividend is lifted from 2.29438p to 7.5p net, costing £62,000 (£31,000).

	1977-78 £000	1976-77 £000
Turnover	—	335
Trading loss	19	25
Income, unquoted invs.	6	—
Profit: inv. sale	—	8
Share of assoc.	2,874	2,843
Profit before tax	2,861	2,854
UK tax	2,382	1,497
Indian tax	2	5
Indian devpt. reserves	—	5
Profit after tax	[illegible]	[illegible]
Minority interests	—	8
Extraordinary items	395	8
Attributable	1,072	567
Dividends	62	31
Retained	[illegible]	536

* Profit

Mowat tells holders to seek advice on Jenth bid

The directors of William Mowat, the property and wood treatment company, tell shareholders that the bid from Jenth at 22½p per share is "fair and reasonable" in the official offer document sent out on Monday.

But on the other hand, they say, shareholders may wish to hold on to their shares in view of the action Jenth intends to take to develop the company.

As shareholders may be rather confused after this advice, the Mowat makes a firm recommendation to them to consult their professional advisers.

Jenth, a private company registered in Jersey, has already bought 61.7 per cent of Mowat from directors and their families. It has been obliged to make an offer for the rest under the Take-over Code although it intends to place any acceptances that are received. Jenth wants Mowat to retain its public quotation.

The quotation might be quickly used for a rights issue. Jenth believes about £100,000 will be required to complete Mowat's site in Chaplin Road, Wembley. In order to finance this and repay Mowat's overdraft, at least £130,000 may be needed in Jenth's view.

Jenth's own authorised and issued capital is £5,000. It had not traded prior to the acquisition of shares in Mowat. Its directors are Mr. R. P. Davison, Mr. M. J. Dee, Mr. P. J. Guille and Mr. P. B. Guille. None of these directors have any beneficial interest in the company.

Mr. Dee "has extensive experience in fund management" and was a founder of Damian Investment Trust, a public company prior to its take-over by Ralli Brothers in 1973. Mr. Davison, who will become chairman and managing director of Mowat, "has had six years' experience in residential and commercial property development, principally in Ireland." No details are given about Mr. P. J. Guille and Mr. P. B. Guille. The whole of the issued capital is owned by the Trustees of the Street (Jersey) Settlement.

Jenth has been advised by Banque du Rhone et de la Tamise while Mowat's advisers are chartered accountants, Leonard Stephens Webber and Co.

SHARE STAKES

Grange Trust: Courtaulds Pensions Common Investment Fund is interested in 670,000 shares (6.9 per cent) registered in name of Courtaulds CIF nominees.

Lexes: Menin Properties and its associates are now interested in 972,300 ordinary shares.

British Petroleum Company: Norwich Union Insurance Group holds £610,000 8 per cent first preference stock (8.4 per cent).

Bunzl Pulp and Paper: Mr. G. G. Bunzl and Dr. F. A. G. Schoenberg, directors, have disposed of non-beneficial interest of 50,000 shares from a joint holding.

Bentalls: Mr. L. Edward Bentall, director, Mr. J. F. Noel Anstee and Mr. T. G. M. Buckley have transferred 165,000 shares as trustees.

Second City Properties:—Control Securities has bought a further 10,000 shares.

Stoddard Holdings:—Mr. J. P. Friebe, director, disposed of 10,000 "A" ordinary shares on October 16.

Highland Electronics Group:—Mr. M. Cohen, director, sold 40,000 shares through the market during week ending October 20 at 47p to enable him to meet a personal tax liability. His beneficial interest is now 1,432,430 shares.

British Benzol Carbonising:—Mr. J. W. Sutherland bought 20,000 shares, Mr. K. P. Legge 20,000 shares and Mr. H. Procter 10,000 shares on October 20, all at 30p.

Dreamland Electrical Appliances:—Mr. F. R. Williams, chairman, bought 50,000 shares at 33p on October 17.

Green's Economiser Group:—Mr. J. V. Sheffield, director, has bought 10,000 shares.

Brocks Group of Companies:—Mr. A. G. Irwin, director, sold 3,000 shares at 74p.

Lloyd's Life Assurance

A 38 per cent rise in new regular premium life business for the year to September 30, 1978 is reported by Lloyd's Life Assurance, with annualised premiums amounting to £1.9m against £1.2m for the previous year. The new executive pension scheme for directors and other senior executives launched during the year proved successful with premiums totalling £400,000. Premiums on the company's regular savings contracts advanced by 40 per cent to £700,000.

Lloyd's Life also maintained the high level of single premium business achieved in the previous year, with sales amounting to £12m compared with £11.9m. The company's link with the unit trusts managed by Gartmore proved successful, with sales from this source amounting to £2.5m compared with £200,000 previously. However, this growth was achieved at the expense of other sources of business. Personal bonds fell to £5m from £5.7m, the Option 5 bond sales to £1.9m from £2.5m and non-linked business to £2.4m from £3.5m.

Mr. John Woolhouse, managing director and actuary, stated that the major increase in regular premium business was as planned, but he was particularly pleased with the strength of single premium business.

The company only markets through the professional intermediary and still has a marketing team of less than 10 people. Its share capital is held by various underwriting members of Lloyd's, with the Corporation of Lloyd's holding one "A" ordinary share with special powers.

Bank extends promotion drive

THE Trustee Savings Bank, which is staging a television advertising drive aimed at attracting younger customers to its 1,650 branches, is extending its campaign to motor sport.

It has signed an agreement with Dealer Team Vauxhall (DTV) under which the two semi-works 2.3-litre Chevettes entered in next month's Lombard RAC Rally will run with substantial TSB backing and in the bank's colours.

The cars are potential winners of the 2,000-mile event.

THE IMPERIAL COLD STORAGE AND SUPPLY COMPANY LIMITED

(Incorporated in the Republic of South Africa)

INTERIM REPORT 1978 AND DIVIDEND ANNOUNCEMENTS

The unaudited results of the Group for the six months ended 31st August 1978 were as follows:—

	6 months ended 31st August 1978 R	1977 R
Group profit before tax	6 645 000	5 304 000
Tax	2 928 000	2 253 000
Group profit after tax	3 717 000	3 051 000
Profit attributable to outside shareholders	707 000	561 000
Profit attributable to Shareholders of The Imperial Cold Storage and Supply Company Ltd.	3 010 000	2 490 000

As the income of the holding company consists mainly of interest and dividends derived from subsidiary companies in the Group, separate figures are not given for the holding company.

The results reported above include exceptional sales in the period immediately preceding the introduction of General Sales Tax; the effect of improved margins on dairy products authorised by the authorities from 1st June 1978 to which reference was made in the company's last annual report: and the benefit of the acquisition of the 50 per cent outside interest in Land Harvest Company. Provision for writing off goodwill has been stepped up. As previously reported, during the current financial year the new distribution depot at Berkley Road, Maitland, Cape Town was taken into use and the new meat packing plant at City Deep, Johannesburg will come on stream later in the year. In the light thereof a re-assessment has been made of the remaining useful life of the old installations thus replaced and appropriate amortisation has been provided, as well as for minor installations which have become obsolete.

The Group's business being seasonal, the results for the period under review are not necessarily an indication of the trend for the year.

CAPITAL COMMITMENTS

The aggregate of capital commitments authorised by the directors amounts to R16 509 000 (1977—R13 777 000) of which R9 216 000 (1977—R4 396 000) had been contracted for as at 31st August 1978.

DIVIDENDS

An interim dividend of 3.5 (1977—3.0) cents per share has been declared on the company's ordinary shares, payable on 8th December 1978 to shareholders registered on 10th November 1978.

W. H. Neate Chairman
J. M. Liebenberg Executive Director

171 Jacob Mare Street
Pretoria 0002
23rd October 1978

INTERIM DIVIDEND No. 87 ON ORDINARY SHARES

Notice is hereby given that an interim dividend of 3.5 cents per share (1977—3c) has been declared on the company's ordinary shares, payable to shareholders registered at the close of business on 10th November 1978. Dividend warrants will be posted on or about 8th December 1978.

The dividend is declared in the currency of the Republic of South Africa and dividends payable from the office of the company's London Transfer Secretaries will be paid in United Kingdom currency at the rate of exchange ruling on 11th November, 1978. The effective rate of non-resident shareholders' tax where applicable is 13.575 per cent.

The ordinary share registers of the company will be closed from 11th November 1978 to 24th November 1978, both dates inclusive.

INTERIM DIVIDEND No. 79 ON PREFERENCE SHARES

Notice is hereby given that an interim dividend of 2¾ per cent (two and three quarter per cent) has been declared on the company's preference shares, payable to shareholders registered at the close of business on 24th November 1978. Dividend warrants will be posted on or about 29th December 1978.

The dividend is declared in the currency of the Republic of South Africa and dividends payable from the office of the company's London Transfer Secretaries will be paid in United Kingdom currency at the rate of exchange ruling on 25th November 1978. The effective rate of non-resident shareholders' tax where applicable is 13.575 per cent.

The preference share registers of the company will be closed from 25th November 1978 to 8th December 1978, both dates inclusive.

By Order of the Board
J. P. Enslin
Secretary

23rd October 1978
Registered Address
171 Jacob Mare Street,
Pretoria 0002

Transfer Secretaries
Consolidated Share Registrars Ltd
Libertas
62 Marshall Street
Johannesburg 2001
Charter Consolidated Services Ltd
Charter House, Park Street
Ashford, Kent TN24 8EQ

MINING NEWS

Plans for Wheal Jane rescue operation

[R]OBERT L. SPRINKEL III, who [em]erged yesterday as the driving [for]ce of a potential rescue for the [Wh]eal Jane tin mine in Cornwall, [is n]ow putting together a manage[me]nt team, which, he hopes, will [cre]ate profits where Consolidated [Go]ld Fields, the present owners, [ma]de losses.

[I]t is early days yet—the finan[cin]g plans have to find a response [in] the City and the technical [ap]praisals have to be subject to [ind]ependent scrutiny—but, in [ess]ence, what the team has to do [is t]o find the formula for survival [wh]ich Geevor and South Crofty [hav]e apparently captured.

[T]hese two mines have, after all, [suc]ceeded where Gold Fields [fail]ed. They have lived through [up and] down cycles of the metal [pri]ces and seen profits increase [as] metal prices surged forward. [Go]ld Fields on the other hand [dec]ided they had had enough at [Wh]eal Jane at a time of buoyant [pri]ces.

[L]ooking at the situation in [Co]rnwall, Mr. Sprinkel yesterday [sai]d, "Major companies have not [bee]n successful in these mines."

[I]ndeed, when debate about [Wh]eal Jane in Cornwall was at [its] height, the charge was levelled [tha]t the group had run it as a [Sou]th African mine and as an [Au]stralian mine, but never as a [Cor]nish mine.

[A]nd it is true that Cornish ore[bod]ies have qualities which set [the]m apart from those of South [Afr]ica, where Gold Fields has [gai]ned a large portion of its direct [min]ing experience. The grades fluctuate, the occurrence of the ore is irregular, and these are factors which contrast with the fairly consistent qualities of ore in the South African gold mines.

Thus Gold Fields found that its original estimate of a tin grade of 1.0-1.25 per cent was ill-founded over the long term. The grade dropped to 0.6 per cent.

It led to the conclusion that the mine, marginal at best, did not warrant any more capital expenditure and that it could not be viable at existing tin prices without very heavy Government subsidy.

But Mr. Sprinkel and his team still believe Wheal Jane can be made to work profitably. For them it is a question of management. While they expect the labour force to be much the same as that employed by Gold Fields—about 400 people—it should be differently deployed, they argue.

This involves in the first instance a lighter administrative staff and stable management at the top. The stay of Gold Fields mine managers tended to be short.

But it also invloves a greater stress on the development of the orebody partly to ensure that the supply of the ore for the recovery plant is regular, thus overcoming the problems Gold Fields had because of intermittent flow.

Mr. Sprinkel considers that two months ore supply above ground is feasible, and is seeking an annual feed to the mill of 301,000 tonnes.

But on his plans, assuming a takeover of the mine at the beginning of 1979, it is not expected to start milling until the third quarter of the year, thus giving nine months for initial orebody development work. Full production at the mill is not expected until the second quarter of 1980.

The grades, however, will be low. Projections made by the Sprinkel team envisage 0.77 per cent for the first year, 0.848 per cent for the second, 0.87 per cent for the third and 0.9 per cent for the fourth.

The capital requirement of about £8m, the greater portion of which will go on mine development rather than on purchase should the scheme be carried forward that far, has been worked out on the basis of a tin price of £6,500 a tonne.

This is £25 more than the closing price on the London Metal Exchange on the day Gold Fields stopped production last May, but substantially less than yesterday's closing cash price of £7,845.

Arab Potash sales deal

THE AMBERICAN firm, Woodward and Dickerson has signed a contract to act as marketing and sales agent in the western hemisphere for the Arab Potash Company of Jordan, reports our Amman correspondent. The five-year contract comes into effect with the start-up of production, now scheduled for late 1982.

Arab Potash aims to produce 1.2m tonnes of potash per year by the mid-1980s when Woodward and Dickerson would be responsible for marketing 370,000 tonnes of potash annually.

An Arab Potash spokesman has also said that similar marketing arrangements will be worked out with experienced international chemical fertiliser companies covering sales in Europe, Asia and Africa.

The main aim of the marketing agreements, he said is to train Jordainians in international sales techniques and assure markets for Jordanian potash during the first years of production.

VULTAN & SIPOS IN GEM SEARCH

The latest contender for the Australian diamond exploration stakes is Vultan Minerals. The company announces that in a joint venture with Sipos it has lodged applications for 26 mineral claims for diamonds in the West Kimberley region of Western Australia.

The areas applied for have been selected from photo-geological and aerial surveys followed by ground traverses, it is stated. The claims occur in eight separate locations in the Fitzroy River-Lennard River area where Conzinc Riotinto of Australia and the Ashton joint venture are currently active. Vultan emphasises, however, the high risk nature of such exploration. The shares are around 13p in London.

HIGHER PAY-OUT FROM RENONG

After deducting an exchange loss of £17,682 compared with a gain of £49,680, Renong Tin Dredging reports a pre-tax profit for the year to June 30 of £104,088 against £130,585 in 1976-77. But the final dividend is raised to 7p, making 8.5p, less Malaysian income-tax at 40 per cent, against 3p for the previous year.

The increased pay-out reflects the profit realised in the latest year of £269,287 on the sale of the company's freehold property at Gomback to the Malaysian authorities. This results in a net profit for 1977-78 of £326,254 against £88,392. Renong shares rose 2p to 70p yesterday.

RTZ may buy German plant

LONDON'S Rio Tinto-Zinc Corporation is understood to be the international group seeking to purchase West Germany's Duisburger Kupferhuette copper smelting concern. The latter is at present owned by BASF, Bayer and Hoechst, each with 31.445 per cent together with Gebrueder Giulini (4.4 per cent) and Henkel (1.265 per cent).

The Duisburger plant made a loss of DM25m (£6.9m) last year and its workforce has been reduced to 1,850 from 4,200 over the past eight years. It specialises in treating pyrites cinders and secondary copper-bearing materials.

Confirming that discussions are in progress, an RTZ spokesman is reported to have said that the elements of a deal have been agreed and that it could be finalised by the end of November. Financial details have not been settled, however.

ROUND-UP

South Africa's gold production improved further in September, rising to 1,965,870 ounces from a restated 1,948,024 ounces in the previous month. The latest figure being the nine-month total for the current year to 17,081,653 ounces compared with 16,877,325 ounces in the same period of 1977.

A nine-month net income of C$7.5m (£3.15m), or 167 cents per share, compared with C$7.6m in the same period of last year is reported by Canada's Pine Point Mines which is controlled by Cominco. The company benefited from a strong demand for lead together with improved prices for its zinc concentrates. Production costs were reduced in line with higher productivity and reduced power consumption.

The French state-owned Bureau de Recherches Geologiques et Minieres (BRGM) will undertake a two-year study and eventual exploitation of copper, lead and zinc deposits in the region of Tambo Grande, Peru. The agreement was signed recently in Lima. If the study is successful, a joint French-Peruvian company will be formed to exploit the deposits.

IN BRIEF

RENONG TIN DREDGING—Profit for year to June 30, 1978, £121,770 (£50,905). Loss on exchange £17,682 (profit £49,680). Pre-tax profit £104,088 (£130,585). Tax £17,191 (£42,193). Extraordinary profit realised on acquisition of company's freehold property at Gomback, Malaysia, by the Malaysian authorities less related property gains tax of £7,719—£269,287. Net profit £326,254 (£88,392). Final 7p making 8.5p (3p) less Malaysian income tax at 40 per cent.

Thieves haul at £198m rises 36%

THIEVES TOOK cash and valuables to a total of nearly £198m in Britain last year, 36 per cent more than in 1976, according to figures collated by Security Gazette.

Police recovered £31m. The figures do not includes losses from fraud, forgery, embezzlement and similar offences.

"Nor do they include the great bulk of shoplifting offences, only a small fraction of which are reported to the police and which are generally thought to run into hundreds of millions of pounds annually," adds the magazine.

The amount stolen in London was £69m, with £7.8m recovered. England and Wales lost £106m. Scotland £18.3m and Northern Ireland £4m.

Scholarships worth £500

UP TO 150 national engineering scholarships, each worth £500 a year, are open to high-calibre students who will be starting engineering degree courses in the 1979-80 academic year.

To fund the scheme, 41 State and private sector industrial concerns will contribute up to £97,000 to be matched by an equal amount from the Government. The scheme is organised by an action committee comprising representatives of Government, industry, the trade unions and education.

The scholarships are tenable in universities, polytechnics and other higher education establishments.

Study tour

COUNTRYSIDE Commissioners including Lord Winstanely, the chairman, are to visit south and west Yorkshire from Friday to Sunday on a first study tour of a major coalfield area. Local authorities are keen to show commissioners improvements to the landscape.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Strong third quarter gives Xerox record earnings

BY STEWART FLEMING NEW YORK, Oct. 24.

XEROX CORPORATION, the world's largest producer of copying and duplicating equipment, today reported a strong third quarter earnings gain and maintained profit margins.

Before extraordinary items, the company's net income increased to $122.7m ($1.52 a share), a 16.5 per cent increase compared with the $105.3m (or $1.31 a share) earned in the same period of last year.

The third quarter gain brings the company's nine months' figures to a record $356m ($4.42 a share), a 15 per cent gain compared with $310.7m earned in the same period of 1977.

Assuming earnings of around $1.40 in the final quarter, traditionally a slightly weaker period for the company, Xerox can look forward to a gain of approximately 15 per cent in earnings this year, a significant improvement on the 5 per cent earnings growth in 1976 and the 12 per cent gain last year.

Over the past two years, Xerox has been coming under severe competitive pressure, not only from Japanese producers (particularly at the low cost end of the copier market) but also from rivals such ase IBM and Eastman Kodak.

The company has responded in part by cutting prices for many of its products, and only this month it announced a new range of low cost, slow-speed copiers to compete with Japanese machines.

In addition, however, in an effort to get earnings growth moving it has been placing greater emphasis on outright sales of copiers, rather than leasing then, since sales bring in profits more quickly.

In its third quarter report, the company points out that rental revenue from the sale of copiers, duplicator supplies and other products was 50 per cent higher than in the third quarter of last year, while rental revenue from leased machines was up 8.5 per cent.

Sales revenues for the third quarter were the highest for any quarterly period at $1.5bn, a 20 per cent rise from the $1.26bn earned in the corresponding 1977 quarter. Profit margins were maintained at 18.6 per cent the company pointed out.

In the third quarter the company also received an extraordinary one time payment of $25m before taxes as part of a settlement of litigation with International Business Machines. The extraordinary item is equivalent to 15 cents a share and is not included in the above figures.

Recently, Xerox shares have been selling around 10 times last year's earnings of 5.06 a share and well below the peak for the year of $64. Analysts cite continued scepticism about the management's ability to meet its professed goal of 15 per cent a year earnings growth.

Lockheed profits decline sharply

By Our Own Correspondent NEW YORK, Oct 24.

THIRD QUARTER earnings of the Lockheed Corporation fell sharply, the company reported today, although it detailed a continued improvement in its overall financial position. Following the announcement Lockheed's shares fell to $20, down $2 from Monday's close.

The company announced third quarter net income of $9.1m or 53 cents per share, excluding the gain of $18.8m from the sale of its Hollywood-Burbank airport. In the third quarter of last year earnings were $21.9m or $1.50 per share.

For the first nine months of the year, excluding the airport gain, net income was $32.2m or $1.99 per share compared with $47.4m or $3.22 per share in the same period last year.

The company said that nine-month earnings for 1978 include income from the licence fee for the production of the P-3 Orion antisubmarine warfare aircraft in Japan, and compared with the 1977 period reflect 14 fewer C-130 Hercules deliveries and substantially lower S-3A Viking sales as a result of the phase out of the programme in August.

Total sales for the third quarter and nine months of 1978 were $852m and $2.45bn respectively. This compared with $812m and $2.48bn in the same period of 1978.

The company reported a total funded order backlog at September 24 of $4.28bn compared with a restated $3.32bn a year ago.

It said that a loss of $29m was recorded on the Lockheed L-1011 TriStar programme in the third quarter compared with a loss of $36m a year ago.

TriStar backlock as at September 24 totalled 30 firm orders with two aircraft scheduled for delivery before year end, and 13 deliveries scheduled for 1979.

Long term debt was down to $433m compared with $618m a year earlier. Shareholders equity was $266m up from $210m a year earlier and $218m reported at year end 1977.

Allegheny Ludlum drops proposed sale to Bayer

BY JOHN WYLES NEW YORK, Oct. 24.

ALLEGHENY LUDLUM Industries' plan to sell its organic pigments business to a subsidiary of West Germany's Bayer AG was officially abandoned today in the face of government opposition over anti-trust grounds.

The business was acquired at the beginning of this year with the $500m takeover of Chemetron Corporation, which increased Allegheny's long-term debt burden so sharply that the diversified special steels manufacturer has sold off a number of former Chemetron assets over the past few months.

Allegheny reached agreement early in the summer with Rhinechem Corporation, a Bayer subsidiary, on the sale of Chemetron's organic pigments division for a reported $50m. However, the Federal Trade Commission swiftly announced that it would try to block the agreement because "it may substantially lessen competition, or attempt to create a monopoly in the manufacture and sale of organic pigments."

Last Friday a Federal Court judge in Chicago issued a preliminary injunction against the proposed deal, prompting today's announcement by the two companies that "the anticipated length of administrative proceedings before the FTC made it inadvisable to pursue the transaction further."

The sale is not the only disposal of a former Chemetron business to fall foul of the authorities. The FTC is also investigating the proposed sale of Chemetron's industrial gases division to Liquid Air, which is 79 per cent owned by L'Air Liquide SA of France. This agreement would give Allegheny a one-third interest in Liquid Air, worth about $100m.

Jamaican move puts Revere in the red

NEW YORK, Oct. 24.

REVERE Copper and Brass staged a third quarter upturn in sales to $178.7m from $155.5m and expects a continuation of this into the final quarter.

However, the company reported a loss of $5.72 per share in the latest period compared with $1.07 per share profit due to action taken by the Jamaican government regarding Revere's subsidiary, Jamaica Alumina. Revere said it received only $1.1m in insurance on its $64m investment.

Net loss for the quarter stood at $32.6m compared with a $6.1m profit.

For the nine-month period, the primary loss represented $4.07 per share compared with a profit of $1.89 per share. Net loss was $23.1m compared with $10.78m profit in the corresponding period.

Sales for the company in the nine month period increased from $454.9m to $501.1m.

Reuter

Setback for Phillips Petroleum

BARTLESVILLE, Oct. 24.

IN MARKED contrast to other leading oil groups, Phillips Petroleum's earnings slipped in the third quarter from a corresponding $123.2m or 80 cents a share to $107.8m or 70 cents a share on revenues up from $1.55bn at $1.75bn.

Profits were ahead at the nine months mark, however, net earnings totalling $411.1m, equal to $2.67 a share compared with $369.8m or $2.41 a share in 1977. Sales were $5.22bn against $4.17bn previously.

The company blamed the setback on the weak position of the U.S. dollar and warned that future earnings may remain lower.

Losses from foreign currency translation were $17.4m or 11 cents a share in the latest quarter and $12.1m or 8 cents a share in the nine months. Last year there were gains of $15.7m or 10 cents in the quarter and $26.9m or 18 cents a share in the nine months.

Shell Oil achieves third quarter net earnings of $248.87m compared with $208.75m for the corresponding period in 1977.

This brings the total nine-month earnings to $621.33m in contrast with the $567.37m for the same nine month period last year.

Per share earnings stood at $4.18 for the nine month period, whereas the 1977 period had earnings of $3.86 per share. The third quarter earnings were reported at $1.66 per share compared with $1.45 per share.

Shell's diversified product range and marketing techniques have boosted company revenue for the third quarter from $2.6bn to a strong level of $2.9bn.

Revenue for the nine month period has increased from $7.5bn to $8.3bn.

Marathon Oil's nine month net earnings have been declared at $151.3m compared with $139.86m for the corresponding period. Revenue also increased from $3.38bn to $3.58bn for the period and earnings were reported up from $4.65 per share to $5.01 per share.

Net earnings for the third quarter were $50.49m compared with $49.63m. Revenue was up to $1.2bn from $1.12bn, whereas earnings per share for the third quarter improved to $1.87 from $1.65.

Meanwhile, *Continental Oil* announced a rise of 30 per cent in third quarter net earnings, which were reported at $105.8m, or 98 cents a share against 75 cents. Sales increased from $2.2bn to $2.4bn.

For the nine months to date, net earnings have slipped from $298.7m or $2.78 a share to $296.1m or $2.75. Sales, however, have risen over the period from $6.6bn to $7bn.

Agencies

Another U.S. deal for MAN

By Our Financial Staff

PRINTING equipment manufacturer Wood Industries is to merge into a subsidiary of the West German company Maschinenfabrik-Augsburg-Nuernberg (MAN) at a price of $10.625 for each outstanding Wood share.

Last week MAN reached agreement with White Motor under which is will take a 12.6 per cent stake in White for $15.6m.

The two deals, while comparatively small in cash terms, reflect MAN's ambitions in the U.S. and also the company's determination to capitalise on its strong points. For the year ended June 30, MAN reported progress in only two divisions, sales of trucks and buses and of printing machinery. The U.S. deals are clearly designed to expand these two strengths.

Truck operations give IU a lift

BY OUR FINANCIAL STAFF

WITH ITS land transportation operations setting the pace, IU International lifted third quarter earnings by 18 per cent to $15.98m, or 46 cents a share. Revenues advanced from $567.5m to $634.3m.

For the whole of the first nine months, IU managed a similar rate of increase in net profits to $53.8m, or $1.58 a share, with revenues up to $1.89bn from $1.68bn.

IU's chairman and chief executive officer, Mr. John M. Seabrook, said that operating earnings during the first nine months went up by 20 per cent to $188.4m. Most units had done well; on the land transport side, Ryder Truck Lines and Pacific Intermountain Express were still growing faster than the trucking industry as a whole.

The rest of IU's operations presented a mixed picture. Results of the utility services operations were ahead during the third quarter, with revenues and operating earnings for the Canadian electric and gas utilities higher for both the three and nine month periods. Water services produced a slightly lower third quarter result, but were higher for the nine months. Ocean Shipping operating earnings were also down on the quarter and up at the nine-month stage. Liquefied natural gas carriers, drilling rigs and passenger cruise ships all showed improved earnings, but the sale of two laid-up crude oil tankers, in which IU had a minority interest, brought a loss of $3.4m, or 10 cents per IU share.

Steady growth at Union Pacific

BY OUR FINANCIAL STAFF

UNION PACIFIC pushed up earnings by around 16 per cent in both the third quarter and first nine months, and said it was confident about the outlook for the rest of the year.

On the back of a revenue gain to $730m from $641m, net income moved up to $64.9m, or $1.36 a share, from $55.9m, or $1.18. Nine monthly earnings totalled $184.5m against $158.1m, with revenues advancing from $1.86bn to $2.16bn.

The company said that its railroad earnings increased by 9 per cent to $31.2m, with revenues up by 15 per cent, in spite of September's four-day rail strike. Traffic was continuing at record levels with maize, wheat, coal and cars showing considerable gains.

At Champlin Petroleum, the Texas-based operation now engaged in a major oil and gas exploration programme costing around $100m this year, third quarter profits rose by 35 per cent to $28.5m.

Union Pacific's Rocky Mountain energy unit showed a gain of 13 per cent to $7m. It was through this subsidiary that the group entered the field of uranium production last year.

Treasury futures move

U.S. Treasury Secretary Michael Blumenthal asked the Commodities Futures Trading Commission to delay action on six applications for futures contracts based on U.S. Treasury securities until their impact on the cash market can be determined, Reuter reports from Washington.

Mr. Blumenthal said in a letter to Mr. William Bagley, the CFTC chairman, that the Treasury is prepared to proceed immediately with the studies.

RESULTS IN BRIEF

Continental Corporation improvement

NEW YORK, Oct. 24.

THE INSURANCE holding company Continental Corporation improved operating income for the third quarter of the current financial year from $65.6m or $1.24 a share to $85.9m or $1.60 a share. After capital transactions, net income was $89.5m or $1.66 a share against $61.5m or $1.16 a share.

For the nine months to date, Continental's operating income moved ahead from $177.5m or $3.35 a share to $224.4m or $4.19 a share. Net income after capital transactions was $233.1m or $4.35 a share compared with $176.5m or $3.33 a share.

Retail stores, property management and food group Amfac moved ahead for the nine months from $1.51 to $1.92, Carlisle Corporation, rubber, plastics, tyres and wire advanced from $3.01 to $4.17. Cluett Peabody retail clothing, moved from $1.30 to $1.34, and the utility Commonwealth Edison advanced from $2.24 to $2.62.

Also for the nine months, Maremont Corporation moved up from $2.45 to $2.90, bank-holding company Northwest Bancorp advanced from $2.20 to $2.73, and wood and welding equipment concern Pacific Lumber increased from $2.11 to $2.69.

Agencies

Tonka in deficit

Toys and hydraulics concern Tonka Corporation reported a nine-month loss of $1.18 a share against a profit last time of 41 cents, and said it expects a loss for all of 1978. Agencies report from New York. Last year the company earned 25 cents a share.

U.S. QUARTERLIES

ACF INDUSTRIES

Third Quarter	1978 $	1977 $
Revenue	194.9m	164.7m
Net profits	9.88m	7.49m
Net per share	1.13	0.86
Nine months		
Revenue	593.2m	521.6m
Net profits	27.6m	25.5m
Net per share	3.16	2.93

ALASKA INTERSTATE

Third Quarter	1978 $	1977 $
Revenue	65.4m	51.7m
Net profits	1.25m	1.09m
Net per share	0.25	0.24
Nine months		
Revenue	157.9m	140.5m
Net profits	5.65m	4.02m
Net per share	1.13	1.09

ALBANY INTERNATIONAL

Third Quarter	1978 $	1977 $
Revenue	66.4m	59.3m
Net profits	3.9m	3.6m
Net per share	0.74	0.60
Nine months		
Revenue	208.7m	191.1m
Net profits	13.3m	11.7m
Net per share	2.52	2.23

AMER BROADCASTING

Third Quarter	1978 $	1977 $
Revenue	413.5m	357.0m
Net profits	25.38m	22.24m
Net per share	0.91	0.81
Nine Months		
Revenue	1.32bn	1.12bn
Net profits	90.07m	74.95m
Net per share	3.26	2.75

AMER. ELEC. POWER

Third Quarter	1978 $	1977 $
Revenue	615.8m	521.5m
Net profits	50.1m	53.5m
Net per share	0.48	0.52
12 months		
Revenue	2.28bn	1.99bn
Net profits	249m	235.2m
Net per share	2.41	2.46

ASARCO

Third Quarter	1978 $	1977 $
Revenue	315.6m	230.8m
Net profits	9.67m	*11.17m
Net per share	0.34	*0.42
Nine months		
Revenue	839.2m	794.7m
Net profits	0.77m	11.76m
Net per share	0.03	0.44

*Loss

CAMPBELL TAGGART

Third Quarter	1978 $	1977 $
Revenue	281.5m	239.2m
Net profits	8.39m	8.40m
Net per share	0.70	0.67
40 weeks		
Revenue	673.1m	590m
Net profits	22.01m	19.22m
Net per share	2.01	1.78

CAP. CITIES COMM.

Third Quarter	1978 $	1977 $
Revenue	90.5m	75.1m
Net profits	12.3m	9.6m
Net per share	0.86	0.64
Nine months		
Revenue	266m	218.9m
Net profits	39.2m	30m
Net per share	2.74	2.00

CON ED

Third Quarter	1978 $	1977 $
Revenue	800.6m	830.1m
Net profits	104.3m	107.9m
Net per share	1.51	1.57
Nine months		
Revenue	2.30bn	2.30bn
Net profits	253.9m	264.0m
Net per share	3.57	3.75

CARPENTER TECHNOLOGY

First Quarter	1978 $	1977 $
Revenue	96m	80.7m
Net profits	5.8m	5.6m
Net per share	0.68	0.66

CURTISS-WRIGHT

Third Quarter	1978 $	1977 $
Revenue	81.1m	76.5m
Net profits	3.87m	3.84m
Net per share	0.46	0.45

DATA GENERAL

Fourth Quarter	1978 $	1977 $
Revenue	134.6m	87.5m
Net profits	14.31m	9.57m
Year		
Revenue	379.0m	254.7m
Net profits	40.28m	28.58m
Net per share	4.00	2.88

DENNY'S

First Quarter	1978 $	1977 $
Revenue	159.4m	141.8m
Net profits	8.49m	7.77m
Net per share	0.98	0.90

DI GIORGIO

Third Quarter	1978 $	1977 $
Revenue	221.4m	212.5m
Net profits	2.66m	2.28m
Net per share	0.43	0.37
Nine months		
Revenue	660.5m	620.6m
Net profits	7.56m	6.58m
Net per share	1.23	1.07

EASTERN AIRLINES

Third Quarter	1978 $	1977 $
Revenue	604.6m	494.0m
Net profits	20.0m	1.6m
Net per share	0.93	0.08
Nine Months		
Revenue	1.79bn	1.51bn
Net profits	63.7m	20.1m
Net per share	2.99	1.01

EMHART

Third Quarter	1978 $	1977 $
Revenue	314.2m	282.6m
Net profits	16.37m	14.62m
Net per share	1.37	1.29
Nine months		
Revenue	980.1m	887.5m
Net profits	50.72m	42.36m
Net per share	4.31	3.76

FOREMOST-McKESSON

Second Quarter	1978 $	1977 $
Revenue	823.7m	746.4m
Net profits	13.70m	9.88m
Net per share	0.95	0.71
Six months		
Revenue	1.64bn	1.47bn
Net profits	26.86m	18.76m
Net per share	1.89	1.35

GERBER PRODUCTS

Second Quarter	1978 $	1977 $
Revenue	125.1m	111.4m
Net profits	6.12m	5.17m
Net per share	0.75	0.71
Six months		
Revenue	242.0m	213.4m
Net profits	12.62m	10.14m
Net per share	1.55	1.25

MACMILLAN INC.

Third Quarter	1978 $	1977 $
Revenue	152.4m	140.0m
Net profits	7.12m	6.48m
Net per share	0.90	0.51
Nine months		
Revenue	394.3m	359.7m
Net profits	11.05m	10.21m
Net per share	0.56	0.79

MASCO

Third Quarter	1978 $	1977 $
Revenue	145.0m	109.1m
Net profits	16.17m	12.04m
Net per share	0.58	0.46
Nine months		
Revenue	425.0m	331.4m
Net profits	46.08m	38.87m
Net per share	1.76	1.49

M. LOWENSTEIN & SONS

Third Quarter	1978 $	1977 $
Revenue	143.7m	119.4m
Net profits	2.31m	*4.86m
Net per share	0.70	—
Nine months		
Revenue	435.8m	383.1m
Net profits	7.52m	*5.71m
Net per share	2.27	—

*Loss

OMARK INDUSTRIES

First Quarter	1978 $	1977 $
Revenue	49.9m	35.2m
Net profits	5.75m	3.38m
Net per share	1.64	0.74

PITNEY-BOWES

Third Quarter	1978 $	1977 $
Revenue	173.5m	151.4m
Net profits	10.22m	9.80m
Net per share	0.74	0.72
Nine months		
Revenue	506.8m	429.3m
Net profits	29.72m	25.88m
Net per share	2.17	1.91

PITTSTON

Third Quarter	1978 $	1977 $
Revenue	246.7m	281.7m
Net profits	*8.8m	19m
Net per share	*0.23	0.50
Nine months		
Revenue	913.3m	996.2m
Net profits	*8.4m	64.5m
Net per share	*0.22	1.72

*Loss

ST. JOE MINERALS

Third Quarter	1978 $	1977 $
Revenue	163.6m	186.2m
Net profits	3.99m	27.51m
Net per share	0.17	1.24
Nine months		
Revenue	547.4m	586.8m
Net profits	21.79m	52.82m
Net per share	0.97	2.37

SOUTHERN RAILWAY

Third Quarter	1978 $	1977 $
Revenue	308.2m	283.5m
Net profits	23.45m	21.80m
Net per share	1.52	1.42
Nine months		
Revenue	923.6m	852.6m
Net profits	96.57m	87.12m
Net per share	6.35	5.75

SQUIBB

Third Quarter	1978 $	1977 $
Revenue	406.9m	362.5m
Net profits	35.2m	32.1m
Net per share	0.78	0.71
Nine months		
Revenue	1.1bn	978.8m
Net profits	80.7m	77m
Net per share	1.79	1.71

UMC INDUSTRIES

Third Quarter	1978 $	1977 $
Revenue	77.2m	59.5m
Net profits	2.99m	2.79m
Net per share	0.58	0.55
Nine months		
Revenue	209.2m	177.5m
Net profits	8.71m	7.64m
Net per share	1.70	1.52

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on October 24

U.S. DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Spread	Bid	Offer	C.date	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTL. FINANCIAL AND COMPANY NEWS

Cash input saves Spanish Babcock

BY DAVID GARDNER

MADRID, Oct. 24.

BABCOCK and Wilcox Espanola, Spain's leading producer of capital goods, which suspended all payments to creditors in February with outstanding liabilities of Pta26bn ($377m) will be refloated by a combination of private capital injections and Government credit.

This was announced yesterday by the Minister for Industry, Sr. Rodriguez Sahagun. The full details of the deal will not be made public until next month, but Sr. Rodriguez reported to lobby correspondents that the major elements in this delicate and crucial agreement had been completed.

Babcock's capital will be written down prior to a capital injection of Pta2.5bn ($36m).

This will come from a mixture of private and public companies, and will include Pta1.5bn from makers of capital goods for the nuclear power industry, and Pta900m from the Banco de Vizcaya—one of the major original shareholders—and Basque savings banks.

This will mean htat although Babcock will be able to absorb some of its losses by first writing down its present capital, the original shareholders will lose the value of their equity. Babcock and Wilcox of the UK has a 10 per cent shareholding in the company, which it wrote off some time ago.

In addition, the Spanish government will provide an extraordinary credit worth between Pts 1.5bn and Pts 2bn. The other parties to the agreement, the workforce and the company's creditors both lose something. The unions are being asked to accept redundancies which along with early retirements will reduce the workforce from its present level of 4,800 to just under 4,000.

At the same time they will be required to give guarantees that productivity will increase by 30 per cent. Babcock's major creditors will be asked to write off 30 per cent of what is owing to them, and accept the rest over a period of 10 years. The company's smaller and harder-pressed suppliers will have to write off 40 per cent, but will receive the remaining 60 per cent over a shorter period.

The operation is considered the first step in what will be a major restructuring of the Spanish capital goods sector. It is regarded as particularly important as a possible model to follow in future salvage operations involving major companies in difficulties. Sr. Rodriguez mentioned in particular Isolux and the paper manufacturing company, Sarrio.

Babcock is based in Bilbao, and the authorities now expect an important focus of discontent among the Basque labour force to disappear. At the same time, the solution has avoided take-over by the state, which was the original proposal of the majority of trade unions inside Babcock.

More profits forecast at Lafarge

By David White

PARIS, Oct. 24.

LAFARGE, the French cement company which is making a one-for-five rights issue, has followed this move with a forecast of a sharply higher dividend to be paid next year on the basis of an increase in 1978 consolidated profits.

The company, the third largest cement producer in the world, said that its group net earnings for this year might be FFr 180m ($39m) after last years FFr 159m. The gross dividend might be increased to FFr 20 a share from the FFr 16.77 received by shareholders this year.

The group's earnings would be made up roughly in the proportion of 50 per cent from the French cement business, 35 per cent from cement sales overseas, including Lafarges big Canadian operation, and 15 per cent from sundry other activities.

Lafarge controls about 40 per cent of the French market for cement and is the leading plaster producer. It also makes tiles, cardboard boxes and paper bags.

Lafarge's forecast coincided with the publication of figures showing a drop of almost 6 per cent in French cement consumption in the first nine months of this year.

The company attributed its optimism to the French Government's post-election policy of freeing industrial prices, a policy which will benefit the company in its results for the second half of this year and 1979. It expected a similar move to be made regarding cement prices in Canada. Earlier price increases had been insufficient to offset higher costs, especially for energy, of which Lafarge is a major user in all sectors of its activity.

Lafarge is increasing its capital to FFr 570m from FFr 475m by the creation of 950,000 new shares, offered at twice their nominal value of FFr 100.

Brostroem deficit increases

BY WILLIAM DULLFORCE

STOCKHOLM, Oct. 24.

THE Brostroem shipping group, which has not paid a dividend for four years, made a pre-tax loss of SKr 133m ($31.3m) during the first eight months of this year, on a turnover of SKr 1.35bn ($318m). The deficit is enlarged by extra-ordinary losses on the sale of ships at depressed prices to SKr 209m.

The turnover growth from the corresponding period last year is marginal, while the pre-tax loss is SKr 41m larger. The group operating loss after depreciation is SKr 41m against a loss of SKr 26m. The deterioration in the operating result and pre-tax profit is expected to continue to the end of the year, but the group net loss for 1978 should be smaller than last year's SKr 79m, it is stated in the interim report.

Brostroem's recovery and future vability rest on the restructuring of its fleet, which should be completed next year, and the recommended State financial support, which is awaiting the Swedish Government's final approval.

Under this agreement, the State would at the end of 1978 take over loans valued at SKr 250m on a number of Brostroem's tankers and bulk carriers, and guarantee further loans of about SKr 205m on the ships, thereby making it possible for the group to freeze amortisation payments for five years.

In addition, the State guarantees on loans taken by Brostroem in connection with the sale of the Eriksberg shipyard and to meet 1978 cash needs will be prolonged, freeing a further SKr 250m in loans from amortisation for a period of five years and making them thereafter repayable over 20 years. The State would also give Brostroem a cash grant of SKr 80m in January.

These measures are intended to give the group a breathing space to complete the re-organisation of its fleet. So far this year, Brostroem has sold five liners, a tanker, a bulker, and two passenger ships, and further sales are planned. In October the group takes delivery of the first of seven RO/RO vessels ordered from Japan

Brostroem's gross investments during the eight months were SKr 475m, the largest part being covered by loans on the international market. An international loan was also taken to enable the Dutch subsidiary, Brostroem Holland BV, to raise its share capital from Fl5m to Fl35m. Liquid funds available at the end of August amounted to SKr 84m, or SKr 105m less than at the beginning of the year.

DOMESTIC BONDS

Dutch Government to issue 15-year bonds

BY JEFFREY BROWN

THE DUTCH government is coming to the capital market with a tender issue of 15 year bonds carying a coupon of 8½ per cent. The loan, which is the sixth this year, is the third by the state in as many months.

The offering comes at a testing time for the bond market following the recent realignment within the European currency snake. The pressures on the guilder have died down and short term (call money) interest rates have settled back to a more normal 10 per cent.

But the uncertainties remain. Predictions of a further 3 per cent devaluation in the guilder against the DM are already beginning to circulate in Amsterdam and the Dutch authorities are clearly taking full advantage of any chance to renew their borrowing programme, which, according to the recent budget, is set to rise steeply during 1979.

The terms of the new loan are pitched fairly generously, and if the market can remain stable until next week (subscriptions have to be in by Tuesday) the tender could pull in Fl 500m or more at a price of par. Last month's state offering, over 10 years on a coupon of 7¾ per cent, was set at par but could only attract Fl 250m.

Meanwhile, the tendency to weakness on the West German bond market persists. Last week's measures to mop up excess liquidity by lifting the banks' minimum reserve requirements has had little direct bearing on bond prices, which continue to move nervously every time interest rates in the U.S. take a further upward step.

The latest bond issue from the Federal Railways reflects the unsettled conditions. In striking contrast to a traditional leaning towards long dated offerings, the Bundesbahn emerged last Monday with a six year bond. Price and coupon are 99½ and 6 per cent.

Holzmann to pay $75m for J. A. Jones

By Guy Hawtin

FRANKFURT, Oct. 24.

PHILIPP HOLZMANN, the large Frankfurt-based construction concern, has taken over the U.S. building group J. A. Jones Construction Company. The acquisition is to cost Holzmann about $75m.

J. A. Jones' shareholders have been offered some $40.612 per share in a deal which links the purchase price to 1977-78's profit performance. While the purchase contract has been signed, the shareholders will not officially vote on the deal until the group's annual meeting on July 9 next year.

The result of this, however, is a foregone conclusion in that some 70 per cent of the U.S. group's shares are in the hands of the Jones family itself. The rest are distributed among the employees. Altogether, 1,872,977 Jones shares are in circulation, with a book value of some $23.06 per share.

Holzmann's new subsidiary is a large one, turning over some $600m annually. This compares with a Holzmann first half turnover of $926.4m this year.

Jones, which has some 9,000 employees on the payroll, operates mainly in the domestic U.S. market. Last year only some $100m of its sales were outside the U.S.

Honeywell Bull up in second year

By Our Own Correspondent

PARIS, Oct. 24.

CII HONEYWELL BULL, the French-controlled joint venture in computers, is confident of strengthening its profit position in its second full year of existence.

The company's forecast that consolidated net profit might be 25 to 30 per cent higher than last year's FFr 144m ($34m) indicates that the group is well set to survive the running-down of the state aid programme granted at the time of the merger in 1976.

The progress of sales in the first nine months, and a record order book, led the company to expect a 15 per cent increase in turnover for the year and further growth next year.

In 1977, turnover reached FFr 3.79bn, about 14 per cent up on the previous year's figures for CII and Honeywell Bull separately.

The company said that net profit this year would exceed last year's proportion of 3.8 per cent of turnover.

Consolidated revenue in the first nine months rose by 15.7 per cent to FFr 2.87bn. Computer sales showed slower growth than rentals and services, which expanded by over 17 per cent and made up more than half of the total.

The instalments of the French Government's FFr 1.2bn subsidy programme are being run down to FFr 150m in the current fiscal year ending in March, and to FFr 100m for next year's final portion.

MEDIUM-TERM CREDITS

Standby facility for EDF

BY FRANCIS GHILES

CREDIT LYONNAIS is putting together a management group for a $600m standby facility for the French State electricity company, Electricité de France (EDF). The terms of this facility, which will be used as a back-up line for an equivalent amount of commercial paper in the U.S., will include a maturity of 10 years, with eight years' grace and a spread of half per cent throughout.

Initial soundings in the market had suggested to the lead manager that a smaller loan on terms including a split spread of ⅜ per cent and ½ per cent could be arranged, but that not enough prime banks would have been willing to join in. This point is crucial insofar as EDF's financial needs in the next few years are considerable. A powerful management group is therefore a prerequisite to sound fund raising policies.

The commitment fee on the new facility will be ⅛ per cent, a figure unchanged from what prime French borrowers have paid in the past.

The fact that Crédit Lyonnais and EDF felt it unwise to force the market into accepting an element of ⅜ per cent does not suggest this operation has been mishandled. Indeed, the terms EDF is getting are the finest publicly granted to a borrower on a major medium term facility since 1974.

In particular, they mark an improvement on those obtained by the French railways SNCF, which arranged a $250m seven-year loan with five years grace on a spread of ⅝ per cent throughout late last summer. Lead manager of this loan was also Crédit Lyonnais.

Another European borrower, TVO of Finland, has succeeded in getting finer terms on a refinancing operation. It is paying a spread of ¾ per cent for ten years on a $67m loan it initially arranged three years ago. Then the borrower paid a spread of 1¼ per cent for seven years.

The government-owned Industrial Credit and Investment Corporation of India has just signed a $20m seven year loan which carries a spread of 1 per cent throughout. Citicorp International Group, Bankers Trust Asia and Standard Chartered Bank are joint lead managers of this loan, which carries a sovereign guarantee.

A loan for an Iranian borrower, the Development and Investment Bank of Iran, which is privately-owned but in which foreign interests hold a minority stake, was signed last Friday in London. The amount of this loan, led by Chase Manhattan is $60m, the maturity is eight years and the spread is ¾ per cent throughout. The borrower is providing no guarantee.

See Lex

Rush to Dublin market is maintained

By Stewart Dalby

DUBLIN, Oct. 24.

THE RUSH of largely speculative funds into the Irish stock market continued today. Brokers in Irish Government stocks put the inflow of new money over the past three trading days at more than £75m. Most agreed that the bulk of the new money came from London. The business in the ordinary industrial shares was also described as brisk.

The inflow of funds is being spurred by the possibility that the British Government may not joint the European Monetary System, while the Irish Government is firmly committed to do so. Holders of Irish gilts could then look forward to a currency gain if the Irish punt (pound) moves favourably against sterling. More than this, however, is the possibility of a profit through the dollar premium.

Danish trader's Far Eastern links

COPENHAGEN, Oct. 24.

DANISH shipping, trading and industrial group A.S. Det Oestasiatiske Kompagni (East Asiatic) regards its historic markets of the Far East and, in particular, China, as the most promising for future growth. Managing director and board chairman Mogens Pagh said in an interview with Reuter that although business is proceeding normally in most of the region, business with China is growing at an explosive rate.

East Asiatic has just obtained a contract to advise China on port modernisation at Tientsin (Hsiankiang) and Shanghai and to look at the requirements for container terminals, infrastructure, handling and administration. The Far East offers the best prospects for expansion, whereas the Danish market, which accounts for 10 to 12 per cent of group sales, has only limited growth possibilities, Pagh said.

Last year group pretax profits fell to DKr 337m from DKr 484m and this year the company has to cope with the problems of currency upheavals as well as the depressed shipping market. The company has reduced its 60 per cent stake in R. T. Briscoe (Nigeria) to 40 per cent, which removes the Nigerian company from consolidated turnover statistics. Thus East Asiatic will need to increase sales by at least 10 per cent to maintain turnover at DKr 23.1m.

Earlier this year the company announced that it was to part with a 35 per cent shareholding in its Malaysian subsidiary to conform with the Malaysian government's policy of wider share ownership.

Of 21m shares offered for sale, 15m were reserved for Malays. The hope was that further share sales would eventually leave Malaysian shareholders with a controlling interest.

Reuter

BUILDING SOCIETY INTEREST RATES

GREENWICH
(01-858 8212)
281 Greenwich High Road, Greenwich, SE10 8NL.
* Deposit Rate 6.45%. Share Accounts 6.90%. Sub'pn. Shares 7.95%. Term Shares 2 yrs. ½% above share rate. 3 yrs. 1% above share rate. Interest paid quarterly on shares/term shares. Monthly Income Shares 6.50%.

LONDON GOLDHAWK
(01-995 8321)
15/17 Chiswick High Road, London W4 2NG.
Sub'pn. Shares 8.20
Deposit Rate 6.45, Share Accounts 6.95.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Nedbank sharply ahead in 1977-78

By Richard Rolfe

JOHANNESBURG, Oct. 24.

NEDBANK GROUP, which is the fourth largest South African banking group in asset terms, at over R3bn, and the largest of the South African-owned international banks, has reported sharply higher profits for the year to September 30. The net profit figure is up from R33.3m to R38.3m (R844m). After adjusting for outside shareholders in certain subsidiaries, profits attributable to shareholders have improved from R31.6m to R36.7m.

Earnings per share are up from 36.7 cents to 42.7 cents and the dividend total is up 3 cents to 21 cents with the shares, a strong market recently, quoted at 290 cents ahead of today's figures, the yield is 7.2 per cent.

The shares have come up 100 cents in the past 12 months and are nearly double their 1977 low of 155 cents. In the process, the yield differential with the other big banks has been largely eliminated. Before today's dividend increase, the yield on Nedbank at 6.2 per cent compared with 5.7 per cent on Barclays National, 6.1 per cent on Standard Bank Investment Corpn. and 6.5 per cent on Volkskas.

A year ago, the bank made a provision, in common with other banks, against its loans to Glen Anil, the failed township developer. The R8.5m provided then (R4.9m after tax) had no identifiable counterpart in the year just past, but substantial provisions in aggregate are believed to have been made as normal banking practice. One difficult area, which like Glen Anil has involved most of the banks, is Hofman Property, another developer which has gone into liquidation. Thus Nedbank's profit advance appears to be directly comparable with the previous year's results, despite the specific Glen Anil provision then made.

The group has specialised in international trade, particularly of commodities, and accounts for over 50 per cent of total trade finance in some items. With interest rates rising in the U.S., some minor switching of finance to Johannesburg has been noted, but in general companies are reluctant to abandon lines of overseas finance even though local based finance is now cheaper. The Nedbank's profitability has continued to improve through a period of declining domestic interest rates, despite the conventional wisdom to the contrary, reflects in part its relatively small branch network, but also the fact that it has many of the characteristics of a "wholesale" bank in its management of assets and liabilities.

Singapore's growth as finance centre

SINGAPORE, Oct. 24.

SINGAPORE'S future growth as a financial centre will be tied to the rate of economic growth of its neighbours in South East Asia, Mr. Gabriel Hauge, chairman of Manufacturers Hanover Trust, said in a speech in Singapore.

Mr. Hauge, who is in Singapore to meet Government officials and banking and business leaders, said that he continues to be impressed with the growth of Singapore as the leading financial centre in ASEAN.
AP-DJ

Victor's video boom beats rising yen

BY YOKO SHIBATA

TOKYO, Oct. 24.

VICTOR COMPANY of Japan, the leading manufacturer of home-use video tape recorders with the VHS formula, has raised earnings for the first half of the current financial year in spite of the rise in the yen in the foreign exchanges.

Victor's current profits for the six months to September were Y3.83bn) ($21m) or 11.6 per cent more than in the first-half of 1977-78, and net profits were up 9.9 per cent to Y1.57bn on sales of Y87.273bn ($480m), up 8 per cent. Profits per share were Y12.30.

The sales increase in video tape recorders (VTR) and portable video cameras, both at home and abroad, was the prime contributor to the improved performance, offsetting the impact of the steep rise in the yen on exports of audio equipment and colour television sets. As a result of the yen's appreciation, audio and colour TV sales declined by 14 per cent and 14.9 per cent, respectively. Sales of VTR, however, leaped to Y26.04bn, or 2.3 times the level a year earlier. Sales of portable VTR cameras was the main factor behind the improvement on the earlier estimates.

Exports accounted for 45.2 per cent of turnover. The average yen-dollar exchange rate during the six months was Y206, which brought an exchange loss of Y2.9bn. Victor offset this loss by Y900m through hedging operations in the forward exchange market.

Victor sees a strong demand for VTR for the rest of the current fiscal year. In order to raise its VTR production to 50,000 units a month by the end of current fiscal year, from 30,000 units currently, the company expanded its capital investment to Y10bn, from the originally planned Y6.58bn.

The large capital investment in relation to VTR plants is to be financed by the increase of paid-up capital, through the offering of 6m new shares by subscription in September. The company will pay Y9.0 in annual dividends this financial year, an increase of Y1.50.

Victor has concluded export agreements in respect of home VTR with the VHS formula with major world TV set manufacturers in the UK, Australia, France and Germany.

Australian banks criticised

BY JAMES FORTH

SYDNEY, Oct. 24.

AUSTRALIAN banks came under a strong attack from the Prime Minister, Mr. Malcolm Fraser today for not lowering their lending and borrowing rates. Answering a question in Parliament, Mr. Fraser said that the time was long past when the trading banks ought to have moved on interest rates.

The Government has been involved in a steady manipulation downward of official interest rates since September last year. The long-term bond rate—the benchmark for interest rates generally—has been reduced over that period from 10.5 per cent to 9 per cent, and Mr. Fraser has publicly set a target of a further 0.5 per cent by December. The reduction in the bond rate has been accompanied by a fall in corporate interest rates, but there has been no general reduction. The banks were pressured into reducing their lending rates on housing loans by 0.5 per cent and have been under pressure recently for further cuts.

In particular the Government would like the trading banks to reduce their overdraft on "small" loans, up to a maximum of A$100,000 from the present rate of 10.5 per cent. It would also like the borrowing rates for trading bank deposits to come down

Referring to the Government's success in reducing rates, Mr. Fraser said: "I think the notable ommission in any public recognition of the situation is a movement downward in rates by the Australian trading banks, which have maintained their rates at previous levels, despite the movement down in the rates in many other areas."

Record earnings for Fujitsu Fanuc

BY RICHARD C. HANSON

TOKYO, Oct. 24.

FUJITSU FANUC raised its net profit in the half-year to September 30 by 64.8 per cent to a record Y1.89bn ($10.4m) from Y1.15bn in the same period last year. Sales rose by 32.6 per cent to a new high of Y15.4bn ($84.6m) from Y11.6bn.

The company, a subsidiary of the large computer maker, Fujitsu Ltd., said that overseas sales of its numerically controlled (NC) equipment and machine tools were brisk, with overall exports up 32.4 per cent to Y7.49bn, or 48.3 per cent of all sales. Europe is its biggest overseas market, followed by the U.S. Fujitsu Fanuc avoided exchange losses by denominating about 90 per cent of exports in yen and Deutschemarks.

The company forecasts that sales in the fiscal year which ends on March 31 will be up 28 per cent to Y31.01bn, while net profit rises to a record Y3.8bn, for a 56 per cent gain.

The company intends to produce more of its Robot units, increasing production to about 50 per year from 10-20. It is introducing a new compact NC-Robot this year.

Nissan Fire and Marine Insurance

Nissan Fire and Marine Insurance Company has announced that Mr. Michiyoshi Shiroishi, the managing director, will be promoted to president, in succession to Mr. Kaname Kondo, reports AP-DJ from Tokyo.

Mr. Shiroishi, 56, who joined the board two years ago, will assume the post on November 8. Mr. Kondo will be an advisory director.

General Sekiyu shares for Exxon

TOKYO, Oct. 24.

ESSO EASTERN CORPATION a wholly-owned subsidiary of Exxon Corporation will carry through its proposed acquisition of a 49 per cent stake in General Sekiyu KK through a new share issue, the Japanese company said here.

General Sekiyu plans to allocate all of a planned issue of 30.89m shares to Esso Eastern, provided the Government gives approval.

The issue will increase General Sekiyu's capital to Y3.26bn (some $18m) from Y1.72 bn. It will be priced at Y700 per share of Y50 par value, with payments required around next April or May.

General Sekiyu was quoted on Tokyo Stock Exchange on Friday at Y1,120.
Reuter

Telecom profit record with 12.5% increase

By Our Own Correspondent

SYDNEY, Oct. 24.

TELECOM Australia, the Government-owned domestic telecommunications concern, lifted profit 12.5 per cent from A$164.4 to a record A$184.9m (US$216.7m) in the year to June 30 — its third successive profit increase.

Telecom described the gain in profit as the result of high demand, productivity and a cost cutting programme. It represented a net return of 2.7 per cent before interest on Telecom's assets of more than A$6.6bn. All the profit had been ploughed back into the business.

Telecom said that telephone and Telegram charges would not increase for at least 12 months. Basic telephone and telex charges had remained at 1975 prices all year. Since 1975 the telephone network had grown by 18 per cent, traffic by 19 per cent and total telecommunications business by 25 per cent.

Nashua-Ricoh discussions

NEW HAVEN, Oct. 24.

NASHUA Corporation, of the U.S., has announced that it is holding talks with Ricoh Company of Japan "concerning future relationships."

Nashua buys office copier machines in Japan from Ricoh.

The company said that it expects the upward movement of the yen to increase its costs for products purchased in Japan by over $20m for all of 1978. Nashua said that it does not expect the discussions adversely to affect its business.
Reuter

Foreign sales of Japanese bonds

TOKYO, Oct. 24.

NET SALES of Japanese bonds by non-residents in the first half of the 1978 fiscal year totalled $1.1bn, compared with net investments of $282m in the same period in 1977, the Finance Ministry announced.

Foreign purchases of bonds in the half-year, which started in April, rose to $3.26bn, from $1.49bn a year earlier, while foreign sales rose sharply, to $4.36bn from $1.20bn.

Net foreign sales of Japanese stocks in the first-half fell sharply, to $136m, from $369m in the same period of 1977.

The net stock sales came with foreign buying rising to $2.63bn, from $1.20bn, and foreign selling rising to $2.77bn from $1.57bn.

The Ministry attributed the large net bond sales chiefly to continued net sales after last March, when it introduced a foreign exchange control measure to check inflows of short-term capital, including a ban on sales to non-residents of Japanese bonds of less than five years and one month.

In September, net non-resident sales of Japanese bonds fell to $244m from August's $277m, with buying falling to $329m, $519m in August, and selling down to $573m from $796m a month earlier.

Net foreign sales of Japanese stocks in September narrowed to $25m from $36m in August, with buying rising to $466m from $457m in the previous month, and selling down to $441m from $493m.

The Ministry approved six external bond issues by Japanese companies, totalling $140m, compared with nine bonds amounting to $205m, bringing cumulative total issues in the first half to 48 bonds, totalling $1.22bn. The first half total in the last fiscal year was 33 bond issues totalling $890m.
Reuter

Israeli bank negotiates $20m loan

By L. Daniel

TEL AVIV, Oct. 24.

THE INDUSTRIAL Development Bank of Israel, which is the largest single instrument for channelling long-term loans to industry, accounting for 50 per cent of the finance provided for approved investments, has recently obtained a US$20m loan from an American bank to assist in expanding its loan portfolio.

The bank has also placed US$50m worth of debentures on the American market over the past four years and intends to mobilise further capital in the U.S. shortly.

This development has occurred because approvals for investment loans more than trebled in the first half of this year to I£1.6bn (US$87.3m) from I£505m (US$27.6m) in January to June 1977.

Actual loans extended grew less rapidly since investors have now to proceed with the implementation of their projects. The bank is particularly pleased about the high proportion of projects in development areas.

The growth in the bank's balance sheet, on a fixed annual basis, came to 40 per cent during the first six months of 1978. Gross income of I£13.1bn showed a rise of 48 per cent in the period from I£550m in the first half of 1977, and net income increased by 35 per cent to I£53m.

Over 80 per cent of the capital of the bank is held by four bodies, with the remainder traded on the stock exchange.

EUROBONDS

Generous terms for Unilever's French bond

BY OUR EUROMARKETS STAFF

THE second French franc-denominated Eurobond since the French franc sector of the market reopened last month was announced last night. It is a FFr 100m seven-year bond for Unilever, with a indicated coupon of 10 per cent. Lead manager is Banque de l'Union Européene.

The terms come as no surprise, as the EIB bond launched last month was felt by many investors at first to carry terms which were too tight. That issue, for FFr 200m, carried a coupon of 9¾ per cent.

The new bond will be an obligation of Unilever USF Investments, unconditionally and irrevocably guaranteed by Unilever. Application will be made in London to the Stock Exchange for a listing.

"Lower again and hectic" was one Swiss dealer's summary of the dollar sector of the international bond market yesterday. Another broad slide in prices took place as the six month offered rate for Eurodollars rose by ¼ per cent to 11¾. At the close long term yields of around 10 per cent were commonplace.

The market is still generally characterised as a "professional" market, where market makers have been driven by rising financing costs to drop prices to a level where investor interest might be triggered. By last night the rise in yields still showed no signs of sufficing, and dealers continued to report some selling pressure from investors. Under these depressing market conditions the number of bonds in which dealers are willing to quote prices is declining noticeably.

In the D-mark sector there was much milder discomfiture. The market continued in the unsettled mood which followed last week's raising of the German banks' reserve requirements. Dealers also cited the recent quite optimistic report from the five German economic institutes which confirmed that the German economy was in a cyclical upswing. A business upswing implies greater demand for credit and is thus worrying news for the German bond market.

Prices were off yesterday by about ¼ per cent and the DM bond market was showing resistance to new issues planned before this weak phase in the DM sector developed. Thus the new bonds for Copenhagen, Austria and the European Coal and Steel Community were all quoted in the market at 1½-2 points below their envisaged issue prices. Only the Bank of America bond continued to buck the trend. This is a 12-year bullet with a coupon of 5¾ per cent and an indicated price of 99. Yesterday the market indication was only ¾-⅞ below the issue price suggesting to dealers that the final terms, due today, could include a marginally higher price.

On Friday BHF Bank is due to announce a bond for the Council of Europe. Despite the inclement market there is a chance that this issue will be raised in size from DM 120m to DM 150m. It will have a 10-year maturity with an eight-year average life, but coupon and indicated price have yet to be determined.

In the Swiss franc sector Union Bank of Switzerland is lead managing a SwFr 80m issue for Malaysia maturing in 1990. The coupon is to be 4¾ per cent and the indicated issuing price is 100.

Currency, Money and Gold Markets

Dollar steady in nervous trading

Trading remained very nervous in the foreign exchange market yesterday, ahead of President Carter's message on his anti-inflation programme, and U.S. economic statistics to be issued later this week. Trading was within a fairly narrow range and the dollar showed little change on the day against most major currencies.

It gained ground against the Swiss franc, however, closing at SwFr 1.5300, compared with SwFr 1.5200 on Monday. During the day the U.S. currency touched a low point of SwFr 1.5210 and a best level of SwFr 1.5460 following further intervention by the Swiss National Bank.

The West German Bundesbank also supported the dollar, which touched a high point of DM 1.8225 in terms of the D-mark, before closing at DM 1.8090, compared with DM 1.8065 previously.

Other currencies were little changed, with the French franc finishing at FFr 4.1800, compared with FFr 4.1780 on Monday, and the Japanese yen closing at Y182.20 in terms of the dollar, against Y181.50 previously. The Italian lira declined to L809.25 against the dollar from L807.75.

The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty of New York, narrowed to 11.3 per cent from 11.4 per cent.

The pound's trade-weighted index, on Bank of England figures, was unchanged at 62.1, after standing at 62.2 at noon and 62.1 in early trading.

The pound opened at $2.0035-2.0045, and touched a high point of $2.0115-2.0125 before mid-day as the result of a large buying order for sterling. During the afternoon it traded at $2.0060 to $2.0095, and closed at $2.0070-2.0080, unchanged on the day.

Forward sterling was very firm, with the three-month discount against the dollar narrowing to 0.98 cent from 1.12 cent.

NEW YORK—The dollar firmed initially but then slipped in early trading, as the market awaited with anxiety an announcement later in the day from President Carter about his anti-inflation programme.

FRANKFURT—The West German Bundesbank bought $10.4m when the dollar was fixed at DM 1.8172 against the D-mark, compared with a record low of DM 1.8027 previously. The fixing was slightly above its early level of DM 1.8130, with trading described as quiet and thin ahead of news on U.S. consumer prices, U.S. trade figures for September, and President Carter's announcement on anti-inflation measures. The central bank intervention was the first since last Thursday when it bought $3.1m. The Swiss franc was little changed at DM 1.18320, compared with DM 1.18880 on Monday, while sterling improved at the fixing to DM 3.6480 from DM 3.6190 previously.

MILAN—The dollar gained ground against the lira at yesterday's fixing, rising to L810.05 from the previous 33-month low of L807.80. The D-mark fell in terms of the lira to L445 from Monday's all time high of L447.81.

BRUSSELS—The dollar rose to BFr 28.66 at yesterday's fixing against the Belgian franc, compared with BFr 28.5125 previously. The French franc rose slightly to BFr 6.8320 from BFr 6.8255 on Monday.

ANKARA—The Turkish lira was devalued against 13 currencies by between 2.4 per cent and 4.3 per cent, but left unchanged at TL 25 against the dollar. The adjustments were the seventh since the lira was last devalued against the dollar by 23 per cent on March 1. Since then the Turkish currency has fallen by 26 per cent against the Swiss franc; 17 per cent against the Deutsche Mark; and 8.6 per cent against Sterling. Yesterday's devaluation in terms of the pound was by 3.84 per cent, to give a central bank buying rate of TL 50.10, compared with TL 48.1750 previously. Apart from 11 European currencies, the lira was also devalued against the Kuwait dinar and the Australian dollar.

TOKYO—Buying of dollars for import contracts by domestic trading houses pushed the U.S. currency up to Y182.22½ against the yen at the close, compared with the previous day's record closing low of Y181.05. The dollar remained firm during the day, rising from an opening level of Y181.50. Buying for import contracts was stronger than usual, and the improvement was generally considered temporary. President Carter's anti-inflation speech was not expected to prompt a strong recovery. Trading in spot was $435m, with forward and swap volume totalling $758m.

THE POUND SPOT / FORWARD AGAINST £

Oct. 24	Bank rate %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	8½	2.0035-2.0125	2.0070-2.0080	0.35-0.25 c.pm	1.87	1.05-0.95c.pm	1.95
Canadian $	10¼	2.3710-2.3805	2.3750-2.3760	0.40-0.30 c.pm	1.77	1.50-1.40c.pm	2.44
Guilder	8½	3.94-3.98	3.94¾-3.95¾	½ c.pm-½ c.dis	par	2½-1½ c. pm	2.02
Belgian F	6	57.20-57.60	57.25-57.35	10 c.pm-5c.dis	-0.52	30-15 c. pm	1.04
Danish K	8	10.07-10.18½	10.07½-10.08½	6¼-8¾ ore dis	-8.93	14½-16¾ ore dis	-6.05
D-Mark	3	3.62¾-3.66½	3.63-3.64	2¾-1¾ pf pm	7.84	9⅛-7⅛ pf pm	8.87
Port. Esc.	18	89.00-89.85	89.30-89.80	40-140 c. dis	-12.06	160-360 c. dis	-11.61
Span. Pes.	8	158.70-159.40	158.80-158.90	25-125 c. dis	-8.48	160-260 c. dis	-6.05
Lira	10½	1,620-1,629	1,623½-1,624½	3-5 lire dis	-2.96	11-15 lire dis	-3.20
Nrwgn K.	7	9.79½-86	9.80-9.81	2-4 ore dis	-3.67	5½-7½ ore dis	-2.56
French Fr.	9½	8.38-8.42½	8.38½-8.39½	5½-2½ c. pm	5.93	6½-5½ c. pm	2.86
Swedish Kr	6½	8.52-8.57	8.52½-8.55½	½ ore pm-dis-1½	-0.55	3½-1½ ore pm	1.06
Yen	3½	362-370	365½-367½	3.00-2.70 y pm	9.33	8.55-8.80 y pm	8.92
Austria Sch	4½	26.65-26.80	26.65-26.75	17-7 gro pm	5.39	40-30 gro pm	5.24
Swiss Fr.	1	3.06½-3.10½	3.06½-3.07½	6⅝-2⅝ c. pm	11.23	8⅞-6⅞ c. pm	12.21

Belgian rate is for convertible francs. Financial franc 61.00-61.10.

Six-month forward dollar 2.33-2.23c pm. 12-month 4.57-4.47c pm.

THE DOLLAR SPOT / FORWARD AGAINST $

October 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canad'n $*	84.42-84.51	84.41-84.44	0.02c dis-par	-0.13	0.08-0.09c pm	0.35
Guilder	1.9670-1.9825	1.9670-.9690	0.10-0.20c dis	-0.65	0.15-0.05c pm	0.24
Belgian Fr	28.51-28.65	28.51-28.53	2-5c dis	-2.19	3-6c dis	-0.83
Danish Kr	5.0170-5.0605	5.0170-5.0185	[illegible]	-11.12	10½-10ore dis	-9.28
D-Mark	1.8100-1.8170	1.8100-1.8110	1.01-0.96pf pm	6.23	3.19-3.14pf pm	6.82
Port. Esc	44.65-44.85	44.65-44.85	35-180c dis	-28.83	130-500c dis	-28.16
Span. Pta	69.05-69.28	69.21-69.24	55-70c dis	-10.83	160-180c dis	-9.82
Lira	808.90-810.50	808.90-809.40	3.25-4.00liredis	-5.24	9½-11½lire dis	-5.19
Nrwgn. Kr	4.8780-4.9070	4.8780-4.8800	1.60-2.00ore dis	-6.08	5.15-5.55ore dis	-5.70
French Fr	4.1785-4.1970	4.1800-4.1850	0.20-0.60c pm	1.61	1.00-0.80c pm	0.70
Swedish Kr	4.2465-4.2650	4.2465-4.2480	0.25-0.45oredis	-0.79	0.35-0.55ore dis	-0.37
Yen	182.20-182.88	182.20-182.40	1.20-1.70y pm	6.78	3.25-3.15y pm	6.75
Austria Sch	13.29-13.32	13.30-13.31	3.75-2.75gro pm	2.93	10.00-7.50gro pm	2.63
Swiss Fr	1.5265-1.5365	1.5265-1.5295	1.30-1.25c pm	9.20	4.00-3.95c pm	10.13

* U.S. cents per Canadian $.

CURRENCY RATES

October 24	Special Drawing Rights	European Unit of Account
Sterling	0.654989	0.686124
U.S. dollar	1.31358	1.37712
Canadian dollar	1.55385	1.62940
Austrian schilling	17.5166	18.2190
Belgian franc	37.6472	39.4882
Danish krone	6.64671	6.96723
Deutsche Mark	2.38704	2.50368
Guilder	2.60089	2.72697
French franc	5.50850	5.77483
Lira	1064.00	1115.97
Yen	239.334	251.671
Norwegian krone	6.43851	6.74383
Peseta	90.9733	95.3512
Swedish krona	5.59165	5.87546
Swiss franc	2.01897	2.11728

CURRENCY MOVEMENTS

October 24	Bank of England Index	Morgan Guaranty changes %
Sterling	62.10	-42.1
U.S. dollar	81.12	-11.3
Canadian dollar	78.45	-18.3
Austrian schilling	146.45	19.2
Belgian franc	114.73	+15.6
Danish krone	118.84	+7.2
Deutsche Mark	150.37	+42.3
Swiss franc	208.17	+94.7
Guilder	123.77	+19.8
French franc	99.49	-6.6
Lira	54.92	-48.6
Yen	157.09	-54.5

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Oct. 24	£	$		£ Note Rates
Argentina Peso	1,794-1,798	893-895	Austria	26.25-27.35
Australia Dollar	1.7082-1.7132	0.8509-0.8534	Belgium	60.75-61.75
Finland Markka	7.831½-7.841½	3.9015-3.9035	Denmark	10-10.25
Brazil Cruzeiro	38.06-39.06	18.96-19.46	France	8.35-8.45
Greek Drachma	70.588-72.318	35.16-36.03	Germany	3.50-3.70
Hong Kong Dollar	9.52-9.54	4.7455-4.7475	Italy	1610-1670
Iran Rial	138-144	70.45-70.75	Japan	364-374
Kuwait Dinar(KD)	0.534-0.544	0.2683-0.2685	Netherlands	3.90-4.00
Luxembourg Franc	57.25-57.35	28.52-28.54	Norway	9.75-9.85
Malaysia Dollar	4.3380-4.3530	2.1600-2.1620	Portugal	88-104
New Zealand Dollar	1.8570-1.8640	0.9250-0.9285	Spain	141-145
Saudi Arabia Riyal	6.54-6.64	3.2880-3.2920	Switzerland	3.00-3.10
Singapore Dollar	4.27½-4.29	2.1305-2.1315	United States	2.000-2.0150
South African Rand	1.7304-1.7566	0.8620-0.8750	Yugoslavia	41-43

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Oct. 24	Pound Sterling	U.S. Dollar	Deutschemark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.008	3.635	366.5	8.390	3.075	3.953	1624	2.376	57.30
U.S. Dollar	0.498	1.	1.811	182.5	4.179	1.531	1.969	809.0	1.183	28.54
Deutsche Mark	0.275	0.552	1.	100.8	2.308	0.845	1.087	446.8	0.654	15.76
Japanese Yen 1,000	2.729	5.477	9.918	1000.	22.89	8.383	10.78	4431.	6.482	156.3
French Franc 10	1.192	2.393	4.333	436.8	10.	3.662	4.711	1936.	2.831	68.30
Swiss Franc	0.325	0.655	1.183	119.3	2.731	1.	1.286	528.6	0.773	18.65
Dutch Guilder	0.253	0.508	0.920	92.73	2.123	0.777	1.	410.9	0.601	14.50
Italian Lira 1,000	0.616	1.236	2.238	225.7	5.166	1.892	2.434	1000.	1.463	35.28
Canadian Dollar	0.421	0.846	1.530	154.3	3.532	1.293	1.664	683.6	1.	24.12
Belgian Franc 100	1.745	3.505	6.344	639.6	14.64	5.362	6.898	2834.	4.146	100.

EURO-CURRENCY INTEREST RATES

Oct. 24	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	9⅞-10¼	8⅞-9⅛	8¼-9¼	10¼-10¾	⅛-⅜	3⅛-3⅜	6¾-7	9½-13		5-7
7 day's notice	10-10½	8-9¼	8½-9¼	10¼-10¾	⅛-⅛	3⅛-3⅜	7⅛-7⅝	14¼-16¼		5⅝-2⅝
Month	10⅞-11⅜	9⅛-9⅝	9¼-9⅝	10½-10½	par-⅛	3⅛-3⅜	7⅝-7⅞	14-15	9⅛-9⅜	2⅛-2⅜
Three months	12⅝-12⅞	10⅛-10⅜	9⅝-10⅛	10⅛-10⅜	⅛-⅛	3⅛-3⅝	9¾-10	15-16	10⅜-10⅝	5⅛-5⅜
Six months	15⅛-15⅜	10⅞-11⅛	9⅞-10⅜	9-9¼	¼-⅜	3⅝-3⅞	10⅝-11⅛	15½-16½	10⅝-10⅞	5⅛-4⅞
One year	15¼-15½	10⅞-11⅛	9⅞-10⅜	8¼-8½	⅝-⅞	3⅝-3⅞	11⅛-11⅝	16-17	10⅝-10⅞	5⅛-4⅞

The following nominal rates were quoted for London dollar certificates of deposit: one month 9.40-9.50 per cent; three months 10.20-10.30 per cent; six months 10.65-10.75 per cent; one year 10.70-10.80 per cent.

Long-term Eurodollar deposits: Two years 10⅛-10⅜ per cent; three years 9⅞-10 per cent; four years 9⅞-9⅞ per cent; five years 9⅞-9⅞ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars, two-day call for guilders and Swiss francs. Asian rates for closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Federal funds still tight

Federal funds remained very firm in New York yesterday, reflecting a technical shortage of day-to-day money in the banking system. The Federal Reserve intervened to inject funds by way of overnight repurchase orders. Fed funds traded around 9⁹⁄₁₆ per cent, compared with a probable target rate of 9 per cent or 9¼ per cent.

BRUSSELS—Interest rates continued to rise, with short-term one-month and two-month Treasury certificates raised to 9.35 per cent from 9.25 per cent; and three-month to 9.50 per cent from 9.25 per cent.

Four-month bills for the Government-owned Fondes des Rentes also went up to 9.25 per cent from 9 per cent at yesterday's weekly tender.

The moves were in line with rising short-term interest rates, and follow the increase in Treasury certificates announced by the Belgian National Bank on Monday.

Deposit rates for the Belgian franc (commercial) were easier for the shorter periods, although call money remained firm. One-month fell to 9½-10 per cent from 9⅞-10¼ per cent, and three-month to 9⅝-9⅞ per cent from 9⅞-10 per cent. Six-month money was unchanged at 8⅞-9 per cent, and 12-month at 8¼-8⅜ per cent.

AMSTERDAM—Call money eased to 10-10½ per cent from 10½-11 per cent, and one-month money was quoted at 10¼-10¾ per cent, compared with 10¼-11¼ previously. Three-month fell to 10⅛-10⅜ per cent from 10½-11 per cent, and six-month funds declined to 9-9½ per cent from 9¼-9¾ per cent.

PARIS—Day-to-day money fell to 6⅞ per cent from 7 per cent. It has tended to fluctuate between 6⅝ per cent and 7½ per cent over the past two weeks, first touching 6⅝ per cent on October 9. This was the lowest level for 33 months. One-month funds fell to 6¹⁵⁄₁₆-7¹⁄₁₆ per cent from 7⅛ per cent yesterday, while three-month funds eased to 7⁵⁄₁₆-7⁷⁄₁₆ per cent from 7⅜-7½ per cent. Six-month money was unchanged at 7⅝-7¾ per cent, and 12-month declined to 8⁵⁄₁₆-8⁷⁄₁₆ per cent.

FRANKFURT — Short term interbank interest rates were slightly firmer, with call money rising to 3.45-3.5 per cent from 3.20-3.30 per cent. One-month funds rose to 3.50-3.60 per cent from 3.45-3.55 per cent, but three-month fell quite sharply, to 3.55-3.65 per cent from 3.85-3.95 per cent. Six-month was quoted at 3.95-4.05 per cent, compared with 3.95-4.10 per cent previously, and 12-month money was unchanged at 4.10-4.20 per cent.

HONG KONG — The money market was tight in the morning, but easy in the afternoon with call and overnight dealt at 6¾ per cent and 6 per cent respectively.

MANILA — 30-day maturities were unchanged at 10-12 per cent; 60-day at 10½-12½ per cent; 90-day at 10¾-12¾ per cent; and 120-day at 10¾-13 per cent. Philippine Treasury bills (90-day discount) were unchanged at 11 per cent.

GOLD

Further decline

Gold fell $1 to $226½-227 in fairly active trading. The metal traded within a fairly narrow range however, moving in line with fluctuations in the dollar. Gold opened at $225½-226½ and was fixed at $226.30 (£112.671) in the morning, and $225.80 (£112.473) in the afternoon. The highest level touched was $226¾-227¼.

In Paris the 12½ kilo gold bar was fixed at FFr 30,700 per kilo ($227.70 per ounce) in the afternoon, compared with FFr 30,750 ($228.10) in the morning, and FFr 30,945 ($230.42) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 13,260 per kilo ($226.57 per ounce) compared with DM 13,260 ($228.65) previously.

	Oct. 24	Oct. 23
Gold Bullion (a fine ounce)		
Close	$226½-227	$227½-228
Opening	$225½-226½	$228¾-229½
Morning fixing	$226.30 (£112.671)	$229.00 (£113.987)
Afternoon fixing	$225.80 (£112.473)	$226.75 (£113.964)
Gold Coins, domestically		
Krugerrand	$233½-235½ (£116½-117½)	$235½-237½ (£117½-118½)
New Sovereigns	$64½-66½ (£32-33)	$64¼-66¼ (£32-33)
Old Sovereigns	$62½-64½ (£31-32)	$62½-64½ (£31¼-32¼)
Gold Coins, internationally		
Krugerrand	$232½-234½ (£115¾-16¾)	$235¼-236½ (£116½-117½)
New Sovereigns	$61½-63½ (£30½-31½)	$61½-63½ (£30¾-31¾)
Old Sovereigns	$62½-64½ (£31-32)	$62½-64½ (£31½-32½)
$20 Eagles	$306-308	$307-310
$10 Eagles	$159-164	$159½-164½
$5 Eagles	$108-113	$108½-113½

UK MONEY MARKET

Very large assistance

Bank of England Minimum Lending Rate 10 per cent (since June, 1978)

Day-to-day credit remained in short supply in the London money market yesterday, and the authorities gave a very large amount of assistance by buying a large number of Treasury bills from the Discount houses, and a small amount of local authority bills. Some of the bills were bought for resale to the market at an agreed future date.

Bank balances were well down, and the market also had to cope with a sizeable excess of revenue payments to the Exchequer over Government disbursements, and a slight rise in the note circulation.

Discount houses paid around 9 per cent for day-to-day money at the start, although rates touched 10 per cent in places. Closing balances were taken at around 9-9½ per cent.

In the interbank market overnight loans opened at 10¼-10½ per cent and eased to 9½-10 per cent. Later in the day rates increased to 10½-11 per cent, before closing at 9½-10 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Oct. 24 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	9½-11	—	—	—	10½	9-10	—	—	—
2 days notice	—	—	9¾-9⅞	—	—	—	—	—	—	—
2 days or 7 days notice	—	10⅛-10¼	9¾-9⅞	—	10½	10½	9¾-9⅞	—	—	—
One month	10-9⅞	10⅛-10¼	9⅝-9⅞	10⅛-10⅛	10½	10½	9½	9⅞	10	10⅞
Two months	10⅛-10¼	10⅝-10⅝	—	10⅝-10⅝	11	—	9¾	9½	10⅛	10⅞
Three months	10⅞-10⅞	10⅞-11	10⅜-10¾	10½-10⅞	11⅜	11¼	10	9⅞-10¼	10⅛-10⅝	11
Six months	11-10⅞	11⅛-11¼	10⅝-11	10½-10⅞	11½	—	—	—	10⅞-10⅞	11½
Nine months	10⅞-10¾	11⅛-11¼	—	10⅝-11	11⅜	—	—	—	—	—
One year	10⅞-10¾	11⅛-11¼	10¾-11	10¾-11¼	11⅜	—	—	—	—	—
Two years	—	—	11⅞-11½	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Longer-term local authority mortgage rates nominally three years 12-12½ per cent; four years 12½-12¾ per cent; five years 12⅜-12⅞ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 10¹⁵⁄₁₆ per cent; four-month trade bills 11½ per cent.

Approximate selling rates for one-month Treasury bills 9¾-9⅞ per cent; and two-month 9¾-9¹³⁄₁₆ per cent; three-month 9¹⁵⁄₁₆ per cent. Approximate selling rate for one-month bank bills 9⅞ per cent; two-month 10⁵⁄₁₆ per cent; and three-month 10⅝ per cent. One-month trade bills 10⅝ per cent; two-month 10⅞ per cent; and also three-month 10⅞ per cent.

Finance House Base Rates (published by the Finance House Association) 9½ per cent from October 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6-7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 9.9589 per cent.

MONEY RATES

NEW YORK

Prime Rate	10
Fed Funds	9.5625
Treasury Bills (13-week)	7.90
Treasury Bills (26-week)	8.612

GERMANY

Discount Rate	3
Overnight	3.475
One month	3.55
Three months	3.60
Six months	4.0

FRANCE

Discount Rate	9.5
Overnight	6.875
One month	7
Three months	7.375
Six months	7.6875

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.25
Bills Discount Rate	4.625

WORLD STOCK MARKETS

Carter's latest moves depress Wall St. again

NEW YORK stocks lost ground in moderate trading as nervousness developed ahead of President Carter's anti-inflation address to the nation.

The market remained wary of surprises, although it had discounted most of the basics of the plan, which had been disclosed by Administration officials in recent days.

Congressmen leaving a Presidential briefing on the anti-inflation plans said it was a combination of holding the line on Federal spending and a real effort to get business and labour to hold the line on prices and wages.

It was thought to include punitive measures for companies that refused to co-operate in the fight against rising prices and legislation was anticipated.

The market also continues to fret over rising interest rates. Activity in the Government Securities market made it hard to estimate whether the Federal Reserve was further tightening credit.

After the close Chase Manhattan raised its prime rate to 10¼ per cent from 10 per cent, joining Chemical Bank, which initiated the move on Monday.

The NYSE index was off 0.33 at 54.46 and the Dow Jones Industrial Average fell 7.11 to 832.55. Declines led advances 849 to 650 on a turnover of 28.88m shares, against 36.09m on Monday.

The Transport Index fell 2.39 to 222.34 and Stocks lost 2.36 to 284.57. Utilities at 101.79 lost only 0.38, but were at their lowest point this year.

The U.S. Commerce Department said new orders for durable goods in September were valued at $71.52bn seasonally adjusted, nearly unchanged from August's $71.58bn.

Pan American Airlines topped the active list and was unchanged at $7¾. On Monday the company had reported a sharp rise in third quarter profits. **Eastern**, also reporting a strong third quarter, rose ¼ to $10¼. But active **UAL Inc.** lost ¾ to $33¼.

Sears Roebuck declined 50 cents to $21⅞ in active trading.

Scott Paper climbed ⅞ to $15⅞ in active trading for no obvious reason. **Lockheed** tumbled $3¼ to $19 after reporting sharply lower third quarter profits.

Automobiles lost fractions. U.S. mid-October new car sales fell 2 per cent from a year earlier. Gold shares lost ground. **Dome Mines** slumped $6¼ to $81, ex-dividend, **Campbell Redlake** fell $1 to $33⅞ (also ex-dividend), and **Rosario Resources** shed 50 cents to $19⅞.

Xerox fell $1⅞ to $51⅛, **Union Pacific** rose 25 cents to $54½ and **Shell Oil** tacked on ¼ to $33¾. All had improved third quarter profits.

Westinghouse eased 25 cents to $19½. A Federal judge refused to accept the plea bargain worked out between the Government and Westinghouse that would have resulted in a $300,000 fine for concealing pay-offs.

American Stock Exchange prices rose in active trading. The Amex index gained 0.03 to 150.45 but the average price per share was unchanged. Advances led declines 375 to 307 as stock turnover slowed to 4.10m shares.

Volume leader **Resorts International "A"** fell $2 to $37½. **Houston Oil**, in second place, eased $1¼ to $17¼ and **Amdahl**, in the number three spot, lost $2⅜ to $42⅞.

Canada

Canadian share prices closed moderately higher in active trading, reversing a seven session decline. The Toronto Composite Index was up 2.1 at 1228.8 with advances in 11 of its component groups. The Papers, Real Estate and Communications groups recorded the largest gains. Advances outnumbered declines 239 to 220.

Among companies raising dividends, **Dominion Bridge** rose 50 cents to $27¼ and **Canadian Utilities** put on 25 cents to $15½.

Reichhold was up ¼ to $10 on higher earnings and **Steinberg's "A"** gained 50 cents to $20⅞ on improved year-end results. **Baton Broadcasting** added 50 cents to $13¼. Shareholders approved an increase of $3.35 per share of paid-up capital. Closing volume totalled 3,730,230 shares against 3,900,654 on Monday.

In Montreal Banks were up more than 2½ points while other major indices recorded fractional gains. The Industrial Index rose 0.94 to 204.08.

Noranda "A" at $34¾ and **Gulf Oil Canada** at $31½ gained 50 cents. **Cominco** at $31½ picked up ⅞, while **Inco "A"** at $20 was 25 cents higher.

Tokyo

Share prices fell in active trading on profit-taking and speculative selling over a wide front. The Tokyo Stock Exchange index was 434.11, down 4.08.

Foreign exchange market uncertainties and caution after recent gains depressed market sentiment.

Losers included Pharmaceuticals, Petroleums, non-Ferrous Metals, Electricals, Vehicles and Foods.

Takeda Chemical fell Y22 to Y455, **Kirin Brewery** Y15 to Y454, **Toyota Motor** Y5 to Y855, **Pioneer Electronic** Y40 to Y1,360 and **Toa Nenryo** Y18 to Y621.

Paris

The market moved higher underpinned by the firmer tone of Wall Street and the dollar, shrugging off labour unrest in France. In Electricals, **CIT-Alcatel** was among shares to move higher, gaining Frs 35 to Frs 1,005, after announcing a first-half profit of about 10 per cent above the same period last year.

Carrefour rose Frs 140 and **Pernod-Ricard** advanced Frs 14 in Foods. **Peugeot-Citroen** in Cars, **Michelin** in Rubbers, **Creusot-Loire** in Metals and **Esso** and **CFP** in Oils were also among the issues to gain.

Lafarge was quoted at Frs 233 ex-rights against Frs233.50 with rights on Monday, while the subscription rights traded at Frs 5.70. **French BP** was quoted at Frs 52 ex-rights against Frs 51.50 with rights on Monday while subscription rights traded at Frs 0.13.

Wall Street's higher trend helped move U.S., Canadian and International Oil shares higher, while Dutch and Golds were generally lower.

Germany

Share prices tended weaker in quiet trading with limited selling. In Engineerings **KHD** fell DM 4 and **MAN** ordinary shares DM 7. **Deutsche Bank** and **Hoechst** each lost DM 3. **Daimler** fell DM 5 and **BBC** fell DM 5.50, while **AEG** and **Siemens** each lost DM 1.

On the bond market public authority issues showed losses of up to 25 pfennigs and gains of up to 10 pfennigs while the regulating authorities bought a nominal DM 1.6m of paper (11.5m).

Brussels

Belgian share prices were *mostly lower in moderate trading.* **Cobepa** rose, while **Lambert, Electrobel, Asturienne, Hoboken, Clabecq, Gevaert** and **Mosane** fell. **Vieille Montagne** which raised its base zinc price fell BFrs 65 to BFrs 2,055. In Foreign stocks, UK and Germans were lower, Dutch and Canadians steady, U.S. and French mixed. **Petrofina** and **Canadian Petrofina** rose, but **American Petrofina** fell.

Switzerland

Share prices were higher with buying fuelled by yield considerations in view of the lower rate trend on the capital market. Among Banks, **Bank Leu Bearer, Union Bank of Switzerland Bearer** and **Credit Suisse Bearer** were firmer.

Among Financials **Oerlikon-Buchrle** rose, Insurances were steady, while in Industrials, **Merkur** showed the largest gain.

Ciba-Geigy, Hero, Nestle and **Alusuisse** were also higher, but **Sulzer** lost some ground. Domestic and foreign bonds were firmer with a good turnover.

Johannesburg

Gold shares were easier in quiet trade reflecting lower bullion prices. Losses ranged from a few cents to 125 cents in heavyweights. Mining Financials followed producers lower. **De Beers** was 10 cents lower at R7.75. The easier trend in gold affected Platinums, where shares lost 5-8 cents. Coppers were little changed, but asbestos shares declined.

Industrials were mixed with a firmer bias in moderate trade. Market leaders were mostly unchanged.

Australia

The market firmed with Blue Chip Industrials leading the rise. The **ANZ Bank** rose 15 cents to A$3.80, **The Bank of NSW** 12 to A$7.68 ahead of its annual results due later this week, the **CBA** five to A$2.55 and **BHP** eight to A$8.24. **CSR** rose 14 to A$3.30, **Coal and Allied** five to A$4.65, **Western Mining** five to A$1.70, and **Hamersley** and **MIM** two to A$2.12 and A$2.38 respectively.

Declines included **Peko** down four cents to A$5.70, **Kathleen Investments** eight lower at A$2.52 and **Pancontinental** off 20 at A$11.70. **CRA** fell two to A$3.38, but **Western Queen** and **North West Mining** rose.

Hong Kong

The market firmed in active trading but closed below the day's highs. The Hang Seng index rose 4.74 points.

Hong Kong Land and **Wheelock** rose 10 cents to HK$12.80 and HK$3.575 respectively. **Hutchison Whampoa** put on five to HK6.40. **Hong Kong Bank** and **Jardine Matheson** were unchanged at HK$20.60 and HK$17.50 respectively. **Swire Pacific** fell 10 to HK$10.70.

Milan

Stocks closed mixed with a lower bias. Political and economic uncertainties continued to subdue the market.

Montedison weakened further, *on the second day of its four-for-three rights issue.* **Assicurazioni Generali, Bastogi, Finsider** and both **Olivettis** also fell. However, **Fiat, Snia Viscosa,** and both **Pirellis** firmed.

Indices

NEW YORK—DOW JONES

	Oct. 24	Oct. 23	Oct. 20	Oct. 19	Oct. 18	Oct. 17	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials●	832.55	839.66	838.01	846.41	859.87	866.54	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds*	87.51	87.54	87.71	88.72	87.85	88.02	90.86 (4/1)	86.75 (11/7)	—	—
Transport	222.34	224.73	225.86	228.67	232.71	237.44	261.49 (8/9)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	101.79	102.17	102.50	103.38	104.52	104.84	110.58 (5/1)	101.79 (24/10)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	28,880	36,090	45,670	31,860	35,140	28,810	—	—	—	—

* Basis of Index changed from Aug. 24. ● Day's high 846.95 low 830.58

	Oct. 20	Oct. 13	Sept. 29	(Year ago approx)
Ind. div. yield %	5.67	5.92	5.48	5.49

STANDARD AND POORS

	Oct. 24	Oct. 23	Oct. 20	Oct. 19	Oct. 18	Oct. 17	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	108.08	108.91	108.58	110.07	111.57	112.21	118.71 (12/9)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	97.49	98.18	97.95	99.32	100.49	101.26	106.98 (12/9)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	Oct. 18	Oct. 11	Oct. 4	Year ago (approx.)
Ind div. yield %	4.93	4.69	4.79	4.84
Ind. P/E Ratio	9.34	9.81	9.69	9.12
Long Gov. Bond yield	8.63	8.58	8.64	7.76

N.Y.S.E. ALL COMMON

Oct. 24	Oct. 23	Oct. 20	Oct. 19	1978 High	1978 Low
54.46	54.79	54.79	55.71	60.38 (11/9)	48.37 (6/3)

Rises and Falls

	Oct. 24	Oct. 23	Oct. 20
Issues traded	1,895	1,922	1,930
Rises	650	502	139
Falls	849	1,070	1,556
Unchanged	396	350	235
New Highs	—	—	—
New Lows	—	—	—

MONTREAL

		Oct. 24	Oct. 23	Oct. 20	Oct. 19	1978 High	1978 Low
MONTREAL	Industrial	204.08	203.14	202.56	203.44	222.14 (11/10)	162.90 (16/2)
	Combined	210.54	209.45	210.52	215.32	225.61 (12/10)	170.82 (30/1)
TORONTO	Composite	1228.8	1226.7	1253.5	1262.0	1332.7 (12/10)	998.2 (30/1)
JOHANNESBURG	Gold	244.0	N.a.	253.4	255.2	272.0 (14/8)	185.0 (20/3)
	Industrial	272.1	N.a.	263.9	268.1	272.1 (24/10)	194.9 (13/3)

	Oct. 24	Pre-vious	1978 High	1978 Low
Australia(*)	545.99	541.92	566.78 (22/8)	411.19 (1/3)
Belgium (‡)	98.16	98.60	101.16 (6/6)	90.43 (25/5)
Denmark(**)	91.91	92.28	96.95 (14/3)	91.31 (24/10)
France (††)	81.0	80.3	84.0 (4/10)	47.5 (3/2)
Germany(††)	843.50	852.40	865.8 (19/10)	759.4 (17/5)
Holland (‡‡)	85.0	85.8	93.1 (11/8)	76.0 (4/5)
Hong Kong (§§)	665.75	662.01	707.70 (4/9)	383.4 (13/4)
Italy (‖)	71.16	72.34	82.62 (20/9)	57.45 (10/1)
Japan (a)	434.77	438.19	439.72 (20/10)	364.04 (4/10)
Singapore(b)	383.47	387.55	414.20 (8/9)	252.3 (9/1)

	Oct. 24	Pre-vious	1978 High	1978 Low
Spain (d)	95.23	96.46	110.78 (9/6)	91.85 (17/3)
Sweden (e)	353.24	356.50	402.00 (4/5)	330.74 (6/1)
Switzerld(f)	270.2	269.7	325.7 (14/3)	251.6 (4/9)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300—1,000 the last named based on 1975). ‡ Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

TUESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Pan Amm	375,800	7¾	—
Ramada Inns	303,700	10⅛	−⅛
Penn. Central	282,600	1⅝	−⅛
Sears Roebuck	256,000	21⅞	−½
Firestone	245,100	12⅞	−⅛
Occidental Petrolm.	235,500	16⅞	—
Scott Paper	224,700	15⅞	+1
UAL Inc.	220,800	33¼	−¾
Exxon	215,100	49⅛	−⅛
General Motors	215,000	62⅛	−⅛

NEW YORK

[illegible]

CANADA

[illegible]

† Bid. ‡ Asked. § Traded. ‖ New stock.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax. ◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Pta 500 denom. unless otherwise stated. ♣ DKr 100 denom. unless otherwise stated. ♠ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n France: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. ◆ Interim since increased.

GERMANY ◆

Oct. 24	Price Dm.	+ or −	Div. %	Yld. %
AEG	85.8	−0.9	—	—
Allianz Versich.	610	−4	31.2	3.1
BMW	226.5	−1.0	28.08	6.3
BASF	138	−2.0	18.76	6.8
Bayer	142.4	−1.7	18.75	6.6
Bayer-Hypo	316.5	−3.5	28.12	4.4
Bayer Vereinsbk.	384xr	−6	18	2.6
[illegible]				

TOKYO ¶

[illegible]

AUSTRALIA

Oct. 24	Aust. $	+ or −
ACMIL (25 cents)	†0.68	−0.04
Acrow Australia	†0.88	......
AMATIL $1	†2.10	−0.05
Ampol Exploration	†1.35	......
Ampol Petroleum	†0.82	......
Assoc. Minerals	†1.30	−0.10
Assoc. Pulp Paper $1	†1.70	......
Assoc. Con. Industries	†1.90	......
[illegible]		

OSLO

Oct. 24	Price Kroner	+ or −	Div. %	Yld. %
Bergens Bank	98	−1	9	9.2
Borregaard	69.0	+0.25	—	—
Creditbank	113.0	......	11	9.8
Kosmos	300	+10	20	6.7
Kreditkassen	111.5	+1.0	11	9.9
Norsk Hydrokr.	193.0	−1.0	12	6.0
Storebrand	97.0	+4.5	7	7.2

BRAZIL

[illegible]

JOHANNESBURG

[illegible]

AMSTERDAM

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

PARIS

[illegible]

SWITZERLAND ♠

[illegible]

COPENHAGEN ♣

[illegible]

STOCKHOLM

[illegible]

MILAN

[illegible]

VIENNA

[illegible]

SPAIN ♥

[illegible]

Securities Rand $U.S.0.71¼ (Discount of 37.8%)

EUROPEAN OPTIONS EXCHANGE

Series		Jan. Vol.	Jan. Last	Apr. Vol.	Apr. Last	July Vol.	July Last	Stock
ABN	F.380	—	—	5	12	—	—	F.361
AKZ	F.27.50	—	—	1	5.30	—	—	F.30.20
AKZ	F.30	18	2.40	10	3.80	10	4.30	"
AKZ	F.32.50	154	1.60	54	2.70	1	3.60	"
AKZ	F.35	4	0.80	77	1.60	—	—	"
ARB	F.78.90	—	—	10	5	—	—	F.75.50
EK	$60	6	6	1	6¼	—	—	$60⅞
EK	$70	5		4	3½	—	—	
FNC	$25	2	2½	—	—	—	—	$26½
HO	F.32.50	10	7.50	—	—	—	—	F.38.20
HO	F.40	3	3	2	4.50	—	—	"
HO	F.45	—	—	32	2.40	—	—	
IBM	$260	4	24	—	—	—	—	$277⅜
IBM	$280	20	12¼	2	18⅝	10	23	"
IBM	$300	15	5¼	5	10½	—	—	
KLM	F.142.90	28	17	—	—	—	—	F.151.50
KLM	F.150	3	13.50	4	18.50	—	—	"
KLM	F.152.40	24	12	—	—	—	—	"
KLM	F.160	29	8.40	22	11.80	10	18	"
KLM	F.161.90	35	7.30	—	—	—	—	"
KLM	F.170	38	5.40	22	9.40	10	13.50	"
KLM	F.171.40	52	5.30	—	—	—	—	"
KLM	F.181	71	2.60	—	—	—	—	"
KLM	F.190.50	145	1.80	—	—	—	—	"
NN	F.110	—	—	1	9	—	—	F.107.50
NN	F.118.90	15	2.60	—	—	—	—	
PHI	F.22.50	6	4.30	1	5	—	—	F.25.50
PHI	F.25	—	—	28	3.30	20	4	"
PHI	F.27.50	121	0.90	139	2.20	13	2.70	"
PHI	F.30	70	0.50	151	1.20	27	1.50	"
RD	F.120	10	6.20	1	11	—	—	F.124.50
RD	F.130	24	2.80	—	—	—	—	"
RD	F.140	52	0.80	10	2.20	—	—	
UNI	F.110	2	10	—	—	—	—	F.118.20
UNI	F.120	12	3	1	5.30	—	—	"
UNI	F.130	11	0.90	10	2.50	—	—	"
XON	$45	1	4½	1	5¼	—	—	$49½
		Nov.		Feb.		May		
BA	$50	3	11¼	2	13	—	—	$60⅛
BA	$60	3	6½	2	6¾	—	—	"
BA	$70	—	—	2	3½	—	—	"
OXY	$20	—	—	2	1	—	—	$17
SLB	$80	1	9	—	—	—	—	$88⅛
SLB	$90	4	2	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS 1702

BASE LENDING RATES

A.B.N. Bank	10 %
Allied Irish Banks Ltd.	10 %
American Express Bk.	10 %
Amro Bank	10 %
A P Bank Ltd.	10 %
Henry Ansbacher	10 %
Banco de Bilbao	10 %
Bank of Credit & Cmce.	10 %
Bank of Cyprus	10 %
Bank of N.S.W.	10 %
Banque Belge Ltd.	10 %
Banque du Rhone	10½%
Barclays Bank	10 %
Barnett Christie Ltd.	11 %
Bremar Holdings Ltd.	11 %
Brit. Bank of Mid. East	10 %
■ Brown Shipley	10 %
Canada Perm't Trust	10 %
Cayzer Ltd.	10 %
Cedar Holdings	10½%
■ Charterhouse Japhet	10 %
Choulartons	10 %
C. E. Coates	10 %
Consolidated Credits	10 %
Co-operative Bank	*10 %
Corinthian Securities	10 %
Credit Lyonnais	10 %
Duncan Lawrie	10 %
The Cyprus Popular Bk.	10 %
Eagil Trust	10 %
English Transcont.	11 %
First Nat. Fin. Corp.	11½%
First Nat. Secs. Ltd.	11 %
■ Antony Gibbs	10 %
Greyhound Guaranty	10 %
Grindlays Bank	‡10 %
■ Guinness Mahon	10 %
■ Hambros Bank	10 %
■ Hill Samuel	§10 %
C. Hoare & Co.	†10 %
Julian S. Hodge	11 %
Hongkong & Shanghai	10 %
Industrial Bk. of Scot.	10 %
Keyser Ullmann	10 %
Knowsley & Co. Ltd.	12 %
Lloyds Bank	10 %
London Mercantile	10 %
Edward Manson & Co.	11½%
Midland Bank	10 %
■ Samuel Montagu	10 %
■ Morgan Grenfell	10 %
National Westminster	10 %
Norwich General Trust	10 %
P. S. Refson & Co.	10 %
Rossminster	10 %
Royal Bk. Canada Trust	10 %
Schlesinger Limited	10 %
E. S. Schwab	11½%
Security Trust Co. Ltd.	11 %
Shenley Trust	11 %
Standard Chartered	10 %
Trade Dev. Bank	10 %
Trustee Savings Bank	10 %
Twentieth Century Bk.	11 %
United Bank of Kuwait	10 %
Whiteaway Laidlaw	10½%
Williams & Glyn's	10 %
Yorkshire Bank	10 %

■ Members of the Accepting Houses Committee.

* 7-day deposits 7%, 1-month deposits 7¼%.

† 7-day deposits on sums of £10,000 and under 7%, up to £25,000 7¼%, and over £25,000 7½%.

‡ Call deposits over £1,000 7%.

§ Demand deposits 7%.

FARMING AND RAW MATERIALS

Bullion broker joins LME

BY JOHN EDWARDS, COMMODITIES EDITOR

SIGNIFICANT broadening in the membership of the London Metal Exchange took place yesterday when Sharps Pixley and ... became the first London bullion brokers to become direct ring-dealing members.

Just as important was the re-election as ring-dealing members of Maclaine Watson, a subsidiary of the big U.S. based brokerage group Drexel, Burnham and Lambert.

Sharps Pixley is part of the Kleinwort Benson banking group and one of the five London bullion brokers which takes part in the daily "fixing" of bullion silver prices.

Its successful application to become ring-dealing members of the Metal Exchange is an indication of the growing importance of the LME silver futures market that was introduced in 1968 in the face of strong opposition from the bullion brokers.

Another bullion broker, Johnson Matthey, is a subscriber member of the Exchange, as was Sharps Pixley before becoming a ring-dealing member, entitled to trade on the "ring" rather than through other dealers.

Another bullion broker, Mocatta and Goldsmid, already has a subsidiary, Commercial Metals, on the "ring."

Sharps Pixley intends to start "ring" trading early next year and is likely to concentrate mainly in silver, where it has the existing facilities to trade — although it is also likely to deal in other metals, notably copper, to a limited extent.

A spokesman for the company said yesterday that it was very pleased to be elected.

Drexel, Burnham must be equally pleased with the re-election of Maclaine Watson as a ring-dealing member since its takeover of the company was dependent on this.

There was considerable controversy among LME members as to whether they would be opening the door for all the big U.S. commodity commission houses to become ring-dealing members if Maclaine Watson was elected.

However, Drexel has managed to convince the joint LME board and committee meeting that met yesterday it is not purely a U.S. commission house in view of the major shareholdings in the group held by European interests, including the Banque de Lambert, Renault and Firestone.

Tin heads metals surge

TIN VALUES soared again on the London Metal Exchange yesterday with the cash price gaining £227.5 to reach a record closing level of £7,845 a tonne.

The upsurge was attributed to a renewed squeeze on supplies immediately available to the market.

Once the uptrend was established it brought heavy stop-loss buying and the three months quotation was also driven up, by £167.5 to £7,680.

Other base metal prices also moved up strongly. Copper cash wirebars gained £11.5 to £744 a tonne following fresh buying demand in what was described as an "oversold" market.

Zinc was boosted by the news that a leading Belgian producer, Vielle Montagne, had raised its base European zinc price from $675 to $720 a tonne. The company said the increase was a result of the fall in the value of the dollar against other currencies.

Cash zinc on the LME market rose by £10.25 to £359 a tonne, but was outstripped by cash lead which jumped by £16 to £413.5 a tonne. Lead was influenced by the rise in copper and zinc, as well as reports of further buying by the Soviet Union.

In contrast, precious metal values were lower. Silver was cut by 4.05p to 290.5p an ounce at the morning fixing on the bullion market. Free market platinum was also down by £2.25 to £171.8 an ounce.

New mackerel fishing curbs

BY RICHARD MOONEY

NEW MACKEREL fishing controls aimed at stemming the influx of large trawlers into the south-west coast fishing grounds were announced in the House of Commons yesterday by Mr. John Silkin, Minister of Agriculture, Fisheries and Food.

From November 5 vessels over ... feet in length will be banned from mackerel fishing within the three-mile coastal band off Devon, Cornwall and the Isles of Scilly. At the same time, handliners and vessels under ... feet will be exempted from existing controls.

Between these two extremes the dice are being weighted more heavily in favour of the smaller vessels.

Under the new arrangements, which are calculated on a weekly rather than daily basis, the largest vessels will be limited to a catch equivalent to 15 tonnes of mackerel per crew member while the smaller boats (above ... feet) will be allowed up to ... tonnes per crewman. At present, the catch limit is 3½ tonnes per crewman per day.

The new rules follow heavy pressure from local fishermen for the exclusion of large vessels from Scotland and Humberside which they claimed were scooping up all their fish. These "outsiders" had switched to mackerel fishing because of lost access to distant waters and herring fishing bans in the North Sea and off the west coast of Scotland.

However, Ministry of Agriculture officials denied yesterday that the new regulations resulted from this pressure. They said the ammended rules were part of a continuing effort to conserve British fish resources.

British mackerel stocks were not being overfished at present, they said, but they were disturbed at the steady build-up in fishing effort, particularly by the larger trawlers.

The UK fishing fleet caught about 180,000 tonnes of mackerel last year compared with only 5,000 tonnes in 1970 and 20,000 tonnes in 1973. But the officials said at the same time a large portion of the "substantial" eastern bloc catch had been phased out.

Last year's total catch in UK waters was 330,000 tonnes, well below the 500,000 tonnes caught in 1975 and 1976. The figure is also below the 450,000 tonnes total allowable catch recommended by the International Council for the Exploration of the Sea (ICES).

So far this year the UK fleet has caught 200,000 tonnes of mackerel.

The Ministry is also stepping up efforts to police fishing restrictions off the south-west coast. An extra fisheries inspector and two more fisheries officers are being installed at Falmouth and, in addition, a fisheries "flying squad" is being formed to deal with what the officials described as "hot spots."

This mobile team will be recruited from officers currently serving elsewhere with the fisheries inspectorate.

PALLADIUM PRICE RISE

JOHANNESBURG, Oct. 24.

Impala Platinum has raised its producer price for palladium to $80 an ounce, from $70, effective immediately.

Last Friday Rustenburg Platinum Mines also raised its palladium price to $80.

Reuter

Weather averts EEC wine war

By Margaret Van Hattem

BRUSSELS, Oct. 24.

THE MISERABLE summer weather throughout Europe this year has had one redeeming feature—a grape harvest small enough to rule out any immediate likelihood of a wine war.

The EEC Commission yesterday estimated this year's vintage at 136m hectolitres—more than last year but still 4m hectolitres below the normal annual volume of consumption.

This should help ensure prices high enough to take much of the heat out of the continuing debate in the Council of Ministers on restructuring the wine industry, where France is fighting a prolonged battle to keep cheap Italian red wine out of the French domestic market.

The Commission also noted with relief that the drop in the total area of land under viticulture, which began last year, is continuing, as is the trend to higher quality wine.

The area given over to vineyards fell from 2.571m hectares in 1976 to 2.555m last year and is estimated to have fallen by another 20,000 hectares this year.

In fact, the area given over to table wine fell by 26,000 hectares, but was offset by an increase in areas producing quality wines. This seems to be due, at least in part, to a Community ban on replanting of vineyards and special aids to wine growers to help upgrade the quality of their wine.

Burma rice exports hit

RANGOON, Oct. 24.

BURMA'S rice exports for the current quarter are likely to be affected by uncertain weather and difficulties encountered by government agencies in buying rice from farmers, trade sources said.

To ensure adequate supplies, the Government has announced that farmers who fail to meet obligatory quotas will face action that might include withdrawal of their right to work the land, the sources said.

The government expects rice output to rise by about 700,000 tonnes this year to 10m from nearly 13m acres of paddy.

Rice exports last year totalled 659,200 tonnes, worth $124m (£62m).

Reuter

U.K. SUGAR

Record beet crop in sight

BY DAVID RICHARDSON

BARRING ACCIDENTS or a disastrous lifting season during the next two months, the yield of sugar from this year's beet crop seems likely to be the highest ever harvested and processed in the UK.

Previous highest was in 1973, the first year of Britain's membership of the EEC. Sugar production that year reached 1.06m tonnes as a result of exceptionally high sugar content contained in a crop which averaged 15.68 tons per acre (38.72 tonnes per hectare).

This year, however, the potential yield is estimated by the British Sugar Corporation to be only about 14 tonnes per acre (34.5 tonnes per hectare), but from a bigger area, which at 510,000 acres (206,500 hectares) is the biggest acreage ever grown in Britain

Sugar content in the roots, which was the lowest ever recorded when tests began last August because of lack of sun during the summer, has risen dramatically since. Adequate soil moisture—a legacy from the wet summer—and a healthy crop—there was a remarkable absence of pests and diseases—combined with September sunshine to build up sugar percentages

Some factories in the South and East of the growing areas which were particularly favoured by the Indian summer are now receiving roots of up to 20 per cent sugar content. Farther north in Norfolk, Cambridgeshire and Lincolnshire percentages are a bit lower at 17 per cent to 18 per cent but are still above normal expectations.

The average is certainly above 17 per cent at present and my opinion is that yields will probably be a little higher than the official BSC estimate.

Further, the recent forecast by the Corporation that it expects to produce between 950,000 and 1.05m tonnes of sugar from this year's crop seems to me to be a cautious one. I would expect to see their top figure exceeded by a modest margin and a new record established.

Nevertheless, the average weight of beet lifted per acre will still be below the 10-year average, which is a matter of concern to both farmers and British sugar.

This year's high sugar content which will raise the value of the roots seems likely to compensate for the low yield and produce average grower returns per acre.

But for the future many farmers are actively seeking systems and "blueprints" for better yields, of a similar nature to those already adopted for potatoes and cereals.

Most of the inquiries are directed at other EEC countries the source of much inspiration for maximising production of other crops and where average yields of sugar beet are about 4 tonnes per acre (10 tonnes per hectare) higher than in the UK.

In short, the sugar beet crop is coming into farmers' favour again after a few years in the doldrums. Drought, it seems, is not necessarily a permanent feature of British weather and even last year, when crops were well below average, the profitability of sugar beet, according to farm costing survey run by ICI, was very good indeed.

Of the whole range of arable crops costed during 1977, sugar beet recorded the highest gross margin at £224 per acre (£555 per hectare).

At least a part of this growing popularity can be attributed to disillusionment with potatoes. Disastrous returns this year, in spite of big yields, has led some farmers to regard potatoes as unreliable and too tightly tied to fickle market demand.

Reaction

Sugar beet, in comparison, seems safe and steady and as the two crops are virtually interchangeable in the East Anglain rotation, some growers are speaking of maximising their beet acreage at the expense, and perhaps the exclusion, of potatoes.

Clearly this is an emotive reaction to a relatively short-term situation and not all those who threaten to make the switch will actually do so.

No doubt British Sugar will be pleased because any increase will bring them closer to their declared target of 1.25m tonnes of home-produced sugar, which represents half of the amount consumed in Britain.

On the basis of this target the corporation is still pressing ahead with massive factory expansion and refitting.

But Europe already has a surplus of sugar which is proving expensive to dispose of, and new quotas are to be negotiated for all EEC countries during 1979 to come into effect in 1980. The current furore between the Food Manufacturers Federation, who wants quotas cut, and the Confederation of European beet growers is only the opening shots in a battle not scheduled to start until next year.

Attacks specfically aimed at cutting the British quota can be expected later from growers and sugar factory representatives from other EEC beet-growing countries. Their arguments will revolve around the undoubted fact that this country has so far failed to produce the 1.25m tonnes (made up of 1.04m tonnes of A quota and 0.21m tonnes of B quota) for which we will be negotiating.

In reply, Britain will point out that in spite of our lower yields, the better structure of the industry here means that our costs of production per tonne of sugar easily match the rest of Europe. We are members of a European economic community, the argument will continue, not a European high yielding community, and there is therefore no case for cutting our quota more severely than that of any other country.

Whatever the outcome of next year's negotiations for individual countries, at least a modest reduction in the overall European sugar beet acreage after 1980, as a necessary political appeasement, is beginning to appear inevitable. Those British growers whose interest in the crop has just re-awakened will be hoping the UK cut is not too severe.

Milk Board plea to farmers

BY RICHARD MOONEY

AS BRITAIN'S Milk Marketing Board entered the last stage of the fight for its continued existence yesterday its chairman, Mr. Steve Roberts, declared in London: "Tomorrow is V-for-Voting day for the dairy farmers of England and Wales: I hope it will also be V-for-Victory day—a victory for common sense."

This morning, yellow envelopes containing the voting papers which will finally decide the Milk Board's fate, will drop through the letter boxes of Britain's 48,000 dairy farmers.

And within the next few days most of these can expect visits from National Farmers' Union representatives who will urge them to use their votes to ensure the continuation of the milk marketing system "which has served them so well over the last 45 years."

The Milk Board has been at the centre of a continuing EEC controversy ever since the UK joined the Common Market five years ago.

At that time there was considerable suspicion of British institutions but following a tough fight in the Council of Ministers the EEC has agreed in principle that the UK Milk Board system can continue, provided a big majority is in favour. The farmers' poll is the final stage in this fight.

If the Board is to survive 80 per cent of the votes cast will have to be in its favour and these votes will have to represent at least half of the national dairy herd. This may seem a tall order but in fact the Board will be disappointed if these requirements are not comfortably surpassed.

An unofficial poll organised by Livestock Farming magazine recently showed that 98.5 per cent of large dairy farmers in England and Wales planned to vote for the Milk Board.

If smaller dairymen are as unanimous in their support, the Board will get a vote of confidence even greater than the 96.42 per cent recorded in the referendum which preceded its foundation in 1933.

Mr Roberts said yesterday that he was confident the board would have a resounding victory. But he warned that over-confidence and complacency could be the main enemies

Votes must be posted back by the last post on November 17 but a further week has been allowed to take account of the vagaries of the postal service and declaration of the result of the poll is not expected before November 27.

Aluminium cut recommended in Japan

TOKYO, Oct. 24.

THE Japanese Industrial Structure Council, a government advisory body, said it recommends that the Japanese aluminium smelting industry cut its refining capacity to 1.1m tonnes from 1.6m tonnes by freezing or scrapping production facilities.

The recommendation, submitted to the Minister of International Trade and Industry, tightens the Council's previous proposal last November to cut capacity to 1.25m tonnes. It comes in view of a sharp yen appreciation since then which has reduced imported aluminium prices.

The council estimates Japan's fiscal 1980 and fiscal 1985 aluminium demand at 1.86m tonnes and 2.39m tonnes respectively.

Reuter

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Strong and active on the London Metal Exchange. Forward metal opened at £758 and, with the market thought to be oversold, pushed ahead to £7..5 following some fresh buying demand. A slightly disappointing opening on Comex depressed the market to £760 in the early afternoon but as Comex started to move ahead renewed buying from Europe took forward material up to the day's high of £764.5 prior to it closing on the late kerb at £763. Turnover: 16,525 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £742, 41.5, three months £759, 59.5, 59, 60, 60.5, 61, 61.5, 62, 62.5, 62, 61.5, 61, 61.5, 62. Cathodes, cash £729.5, 30, three months £750, 49.5. Kerb: Three months £761, 61.5, 61. Afternoon: Wirebars, three months £762, 62.5, 62, 63, 63.5, 64, 64.5, 64. Kerb: Wirebars, three months £763.5, 64, 63.5, 63.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	741.5-2	+6	745.5-4.5	+11.5
3 months	761.5-2	+4.5	764-.5	+11
Settlem't	742	+5	—	
Cathodes				
Cash	729.5-30	+5.5	735-.5	12.2
3 months	749.5-50	+5	755-.5	+12
Settlem't	730	+5.5	—	
U.S. Smlt.	625		*68-71.625	

TIN—Record levels were attained following a hectic day's trading. Forward standard metal opened at £7,310 reflecting a rise in the Penang market. In the rings, however, fresh buying and a tightening of the nearby supply situation saw forward metal move ahead to £7,850 and the backwardation widen to £170. In the afternoon this buying continued and as the price breached the £7,600 level heavy stop-loss buying saw forward material climb sharply to touch £7,700 before easing fractionally to close on the late kerb at £7,695. Turnover: 1,310 tonnes.

COCOA

The market was easier for most of the day in dull trading before a rally in the late afternoon caused the market to close at the day's high, about £10-£15 ...

Lewis and Peat reported a Malaysian godown price of 233½ (250) cents (buyer, November).

Fair demand was maintained with numerous inquiry from spinners. Support was again forthcoming in South American and Middle Eastern styles.

MEAT/VEGETABLES

SMITHFIELD (pence per pound)—Beef: Scottish killed sides 54.0 to 58.0; Ulster hindquarters 61.0 to 64.0; Eire hindquarters 59.0 to 63.0, forequarters 36.0 to 39.0.

... 1.00, Webbs 1.20. Cucumbers—Per tray 12/24's new crop 2.40-2.80. Mushrooms—Per pound 0.50. Apples—Per pound Bramley 0.05-0.09, Lord Derby 0.04-0.05, Cox's Orange Pippin 0.05-0.12, Worcester Pearmain 0.05-0.07, Russets 0.07-0.10. Pears—Per pound Conference 0.07-0.14. Plums—Per pound Marjorie's Seedling 0.20, Wyedale 0.15. Tomatoes—Per 12 lb English 1.20-1.50. Cabbages—Per crate 0.80-0.90. Celery—Per head 0.07-0.10. Cauliflowers—Per 12 Lincoln 1.20-1.40. Beetroot—Per 28 lb 0.60-0.70. Carrots—Per 28 lb 0.40-0.70. Capsicums—Per pound 0.20-0.25. Courgettes—Per pound 0.20. Onions—Per bag 1.70-1.80. Swedes—Per 28 lb 0.50-0.60. Turnips—Per 28 lb 0.90. Parsnips—Per 28 lb 0.90-1.00. Sprouts—Per pound 0.05-0.06. Cobnuts—Per pound Kent 0.42-0.45. Corn Cobs—Each 0.06-0.10.

World cereal output at peak level

WORLD CEREAL production is expected to exceed 1.5bn. tons for the first time in history, according to Edouard Saouma, director-general of the UN Food and Agriculture Organisation, reports AP-Dow Jones from Rome.

"The short-term global food situation looks good," Mr. Saouma told the opening session of the governing body of the world food programme. He said the 1978 harvest had been satisfactory or excellent in all major producing areas.

PRICE CHANGES

Price in tonnes unless otherwise stated.

INDICES

FINANCIAL TIMES

REUTERS

DOW JONES

MOODY'S

U.S. Markets

Precious metals lift on speech

NEW YORK, Oct. 24.

COPPER rallied sharply on trade arbitrage buying and aggressive short-covering while precious metals reversed their recent downtrend on nervous speculative short-covering prior to President Carter's speech tonight. Sugar closed little changed in mixed trade and speculative dealings, while cocoa eased on fresh origin hedge selling, Bache reports.

Cocoa—Dec. 176.60 (178.10), March 176.00 (176.50), May 174.75, July 173.10, Sept. 171.35, Dec. 167.20. Sales: 882.

Coffee—"C" Contract: Dec. 148.00 (147.75), March 138.50-138.70 (139.50), May 133.50-134.25, July 130.25-130.50, Sept. 129.25 bid, Dec. 126.50-126.00, March nil. Sales: 815.

Copper—Oct. 67.10 (66.00), Nov. 67.25 (66.15), Dec. 67.85, Jan. 68.50, March 69.75, May 70.75, July 71.70, Sept. 72.55, Dec. 73.65, Jan. 74.05, March 74.85, May 75.65, July 76.45. Sales: 7,100 lots.

Cotton—No. 2: Dec. 65.45-68.50 (67.97) ...

STOCK EXCHANGE REPORT

Early firmness on Vauxhall vote fades in small trade

Investment buyers await developments in pay disputes

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Oct. 2	Oct. 12	Oct. 13	Oct. 24
Oct. 16	Oct. 26	Oct. 27	Nov. 7
Oct. 30	Nov. 9	Nov. 10	Nov. 21

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Heartened by the Vauxhall Luton workers' vote against the strike called by the union over the company's wage offer, equity markets began on a more confident note yesterday. Long-dated Gilt-edged securities were also encouraged, but U.S. interest rate pressure militated against the shorter maturities and quotations here were undecided at the opening.

The industrial leaders attracted small professional demand at the opening, but it soon became obvious that institutional operators were not to be tempted and business again sank to the meagre volume experienced over the past week or so. A downdrift was the result and the FT 30-share index, after the 10 a.m. rise of 2.4, fell away to a net rise of only 0.2 at 3 p.m.; the close was 496.5, a gain of 0.9 on balance

Investment buyers may have been waiting to see if the latest Government/union talks on pay achieve a break-through, while potential investors in British Funds were probably influenced by a broker's warning about growth in money supply.

Opening gains of ¼ in the Funds were held by the longer stocks, despite the thinness of trade, and the shorter maturities, too, eventually regained fractional losses to close marginally better on the day. A tightness of rates in money markets affected business in the shorts.

Reflecting a continuation of the previous evening's U.S. selling, South African Golds were marked lower at the start and eased further on sporadic offerings to end with fresh falls extending to a point in the heavier-priced stocks. The F.T. Gold Mines index reacted 4 points for a two-day loss of 11 at 149.1.

Corporations usually marked time but the recently-issued Southwark 12½ per cent 1987 (£10-paid) edged forward ¼ to £8¼. In the same section, Provincial Laundries 12 per cent convertible 1986-88 remained at £32¼ after Monday's rise of 10 points.

A moderate two-way business brought little fluctuation in rates for investment currency and the premium at the close was slightly harder at 79½ per cent. Yesterday's SE conversion factor was 0.7211 (0.7181).

There was a marked improvement in activity in Traded Options, contracts amounting to 720 compared with 429 on Monday. Consolidated Gold Fields were briskly dealt in with 171 deals.

Interest in the Banking sector was again largely confined to Irish issues which moved further ahead on speculation about whether the country will join the European Monetary System. Allied Irish, interim results expected on November 1, rose 4 to 233p for a two-day improvement of 12. Bank of Ireland were also better at 450p, up 5, making a two-day rise of 17. Barclays typified conditions among the clearing banks, closing without alteration at 340p following a light trade. London and Manchester, 4 better at 130p, provided the only significant movement in lacklustre Insurances.

Still reflecting the increased earnings and scrip issue proposal, Highland rose 10 to 157p for a two-day improvement of 17. Irish hardened 4 more to 194p, while similar gains were seen in A. Bell, 252p, and Invergordon, 151p. Breweries edged higher with Allied 2½ harder at 87p.

Little of interest developed in the Building sector. London Brick, despite a broker's buy recommendation, held at 73p: the interim report is due tomorrow. Elsewhere, news of recent contracts totalling £8m helped Southern Constructions firm ½ to 10½p. M.P. Kent, 42p, and UBM, 77p, both added a couple of pence while, reflecting the recent trend in Irish issues, Cement Roadstone advanced 6 to 106p.

ICI, in a small turnover, traded between extremes of 388p and 393p before settling 3 higher on balance at 392p. Ahead of today's interim report, Burrell hardened ½ to 12½p. Laporte added 3 for a two-day rise of 7 to 118p, but Leigh Interests were dull again at 124p, down 4.

Stores mixed

Leading Stores closed narrowly mixed following a slightly improved trade. Burton issues found a little support, the ordinary and A both firming 2 to 190p and 177p respectively. Marks and Spencer ended a penny off at 85p, as did Combined English, at 119p, but UDS firmed that much to 96p. Secondary issues generally held scattered improvements. Lee Cooper added 7 for a two-day rise of 17 to 182p following further small buying in a thin market, while A. G. Stanley put on 4 to a high for the year of 168p. Fortnum and Mason, at 860p, on the other hand, gave back 20 of Monday's rise of 110p that followed news of the death of majority shareholder Mr. Garfield Weston.

Electricals inclined easier in quiet trading, but Laurence Scott contrasted with an improvement of 4 to 114p in a restricted market.

Engineering majors rarely strayed far from overnight closing levels. Hawker Siddeley edged up 2 to 246p, but John Brown were inclined easier again and gave up a few pence more to 448p. Davy Corporation encountered selling and shed 6 to 147p, while the chairman's statement on trading prospects unsettled ML Holdings which dipped 15 to 200p in a narrow market. Better-than-expected preliminary results prompted a gain of 3 to 131p in Ductile Steels, but Edbro gave up 5 to 255p and losses of around 2 were marked against Birmid Qualcast, 55p, and Chemring, 100p. British Aluminium made headway at 855p, up 10, while Martonair firmed 2 to a peak for the year of 232p.

Awaiting today's interim statement, Spillers hardened 1½ to 35p in active trading. Elsewhere in Foods, Cartiers, which recently announced a large extension of its activities, rose 5 to 109p; the interim report is scheduled for November 1. Rowntree Mackintosh, at 387p, regained 5 of Monday's fall of 8, while Avana responded to renewed speculative interest with a marginal improvement to a 1978 peak of 60½p. Louis C. Edwards, however, finished slightly cheaper at 18½p following the recent sharp re-rating on the company's announcement that it was in receipt of "certain" financial proposals. Swan Ryan International, 1½ better at a 1978 peak of 20p, provided the only noteworthy movement in Hotels and Caterers.

Dunbee-Combex rally

Despite the continuing paucity of business, miscellaneous Industrial leaders edged a little higher. Beecham, 680p, and Bowater, 190p, firmed 4 and 3 respectively, while Glaxo hardened a shade to 565p. Elsewhere, Dunbee-Combex rallied 10 to 108p following news that the company is to meet major shareholders next Friday to explain the £2.96m half-yearly loss. Scattered demand left Sotheby 5 firmer at 325p, while Walshams were a like amount higher at 315p. Buyers showed interest in Bentima, 47p, Bodycote, 82p, and PMA, 59p, all around 3 higher, but Grimshawe Holdings, down 5 at 50p, after 48p, encountered profit-taking following the previous day's Press inspired gain of 13. Still unsettled by the sharp fall in the interim profits and forecast of a further downturn in second-half trading, R. H. Cole eased 3 to 105p for a two-day loss of 18. Occasional offerings left De La Rue 12 off at 448p, but Wm. Press hardened 2 to 32p awaiting tomorrow's interim results. B. and I. Nathan improved 2 to 67p in response to the increased interim dividend and profits. On the other hand, Petrocon gave up 3 to 61p following the company's statement regarding the claim against its wholly-owned subsidiary, Offshore Drilling Supplies. Irish issues to make fresh headway included Waterford Glass, up 4 at 64p, and Abbey, 3 higher at 38p.

In the Leisure sector, Associated added a penny to 75½p in response to the interim profits upsurge and, awaiting tomorrow's mid-term report, Coral improved a like amount to 118p.

Interest in the Motor sectors was at an extremely low ebb. Among the few scattered improvements, British Car Auctions firmed a penny to a high for the year of 52p.

In Paper/Printings, Jefferson Smurfit featured, at 210p up 6 on hopes that Ireland will join the European Monetary System. Elsewhere, scattered firm spots included Bemn Brothers, 2 better at 59p, and Gordon and Gotch, 3 higher at 88p.

Secondary Property issues attracted selective buying. Fairview Estates put on 3 for a gain of 8 to 140p since Monday's annual results. Property and Reversionary A, 328p, Bradford, 280p, and Warnford Investments, 353p, also improved 3, the last-named to a high for the year. Intereuropean added a penny to 39p and Nolton 2 to 46p, while McInerney, in line with other Irish issues, put on 4 to 38p. In the absence of developments concerning the bid approach made known last week, Corn Exchange eased afresh to 235p, but recovered to close unchanged on balance at 240p.

Oils continue quietly

Leading Oils were inclined harder initially, but prices eventually drifted a little easier on lack of interest. British Petroleum settled at 888p for a loss of 4, while Shell finished unchanged at 570p, after 574p. Sceptre Resources were quoted 30 lower at 335p.

Paterson Zochonis moved into prominence in Overseas Traders following the announcement of better-than-expected preliminary figures, the ordinary rising 10 to 190p and the A 15 to 185p. Tozer Kemsley hardened 4 to 57p on the substantially improved first-half profits.

Investment Trusts spent another quiet session. Among Overseas issues, Rolinco eased ⅜ to £47¼ and Robeco 1¼ to £57¼. In Financials, higher earnings took Assam Trading B up 8 to 388p. R. P. Martin were supported at 53p, up 2, but light profit-taking after the recent advance left Dalgety 8 cheaper at 316p.

Walter Runciman turned dull late in Shippings, falling 4 to 66p on disappointment with the interim statement.

Dawson International, 5 down at 195p, encountered fresh selling following William Baird's letter to shareholders urging acceptance of the latter's bid. Baird held steady at 182p, while J. Haggas were also unaltered at 159p. Elsewhere in the Textile sector, Lister firmed 2 to 54p, and Youghal hardened a penny to 38p in front of today's interim results.

Lunuva Tea, which recently announced a substantially improved net asset valuation, rose 5 to 225p in an otherwise little-changed Plantations.

Golds down again

After being marked down at the outset reflecting the further downturn in the bullion price, finally another $1 lower at $226.625 per ounce, South African Golds tended to lose further ground prior to hardening a fraction at the close.

Business throughout the day remained at minimal levels with the market attracting modest selling and lacking in any real support.

The Gold Mines index dropped 4.0 more to 149.1 — a two-day decline of 11.0 and its lowest level since May 12.

Heavyweights again registered losses of up to a point as in Randfontein, £30¼, while Western Holdings fell ½ to £19¾ and West Driefontein a similar amount to £21¼. Among the cheaper-priced issues Kloof were 29 off at 507p and Ventersport 14 easier at 193p.

South African Financials mirrored the trend in Golds. De Beers dropped a further 9 to 377p, a two-day decline of 21, while Anglo American gave up the same amount at 330p as did Union Corporation, at 286p. London-registered Financials drifted in idle trading and Rio Tinto-Zinc settled 4 off at 252p.

The continuing depression in gold shares cast a shadow over Platinums despite the recent strength of the free market platinum price. Bishopsgate fell 5 more to 105p, while Rustenburg gave up 4 at 104p and Lydenburg 2 at 74p.

The only section to register consistent gains was Australians, although the improvements merely reflected a slightly better tone in overnight Sydney and Melbourne markets.

Uraniums edged higher with Pancontinental 25 to the good at 925p. Diamonds also staged a modest recovery; Northern Mining improved 4 to 96p, after 98p, North West Mining the same to 28p and Haoma 2 to 40p.

Tins were a fraction harder where changed; Renong put on 2 to 70p following the increased final dividend.

Gold mines ex-premium

From today, a selected list of South African gold mining shares quoted in U.S. currency and excluding the investment dollar premium is included in the Share Information Service.

Securities quoted in this form are not available to UK residents who are obliged to deal in overseas stocks in sterling via the investment dollar pool.

A new gold mines index based on ex-premium shares is presented in the statistics at the top of the page. The index has been calculated from June, 1972, when, for exchange control purposes, South African securities were among those designated as Overseas Sterling Area foreign currency stocks. The index was first calculated on June 27, 1972, when it was 77.5.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Oct. 24	Nov. 6	Jan. 25	Feb. 6
Nov. 7	Nov. 20	Feb. 8	Feb. 20
Nov. 21	Dec. 4	Feb. 22	Mar. 6

For rate indications see end of Share Information Service

Money was given for the call in Western Mining, Intereuropean Properties, Mincorp, William Baird, English Property, First National Finance, GEC, Tesco, Racal Electronics, Unigate, Rustenburg, Cadbury Schweppes, Town and City Properties, L. and J. Hyman, Glaxo, Consolidated Gold Fields and Geo. Sturla, while doubles were arranged in Premier Consolidated Oil, Burton Warrants, L. and J. Hyman and Duple International.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BP	£1	13	888	−4	936	720
ICI	£1	12	392	+3	421	328
Highland Dist.	20p	9	156	+9	159	127
RTZ	25p	9	252	−4	283	164
BAT Inds.	25p	7	288	−2	346	267
Marks & Spencer	25p	7	85	−1	94	67½
NatWest	£1	7	270	—	298	250
Rank Org.	25p	7	238	+6	296	226
Shell Transport	25p	7	570	—	602	484
Barclays Bank	£1	6	340	—	368	298
Distillers	50p	6	199	+1	215	183
GEC	25p	6	320	−2	340	283
GKN	£1	6	283	—	298	248
Imperial Group	25p	6	82½	—	89	71½
Tube Invs	£1	6	378	—	436	336

FINANCIAL TIMES STOCK INDICES

	Oct. 24	Oct. 23	Oct. 20	Oct. 19	Oct. 18	Oct. 17	A year ago
Government Secs.	69.63	69.55	69.69	69.21	69.25	69.04	77.09
Fixed Interest	71.34	71.26	71.26	70.93	70.95	70.86	78.92
Industrial	496.5	495.6	500.2	495.5	494.6	498.5	514.7
Gold Mines	149.1	153.1	160.1	157.8	151.2	155.5	152.4
Gold Mines (Ex-$ pm.)	107.5	109.9	115.5	114.6	111.0	114.6	116.3
Ord. Div. Yield	5.45	5.46	5.40	5.46	5.45	5.41	5.24
Earnings, Y'ld% (full)(*)	15.16	15.19	15.04	15.15	15.13	15.01	15.56
P/E Ratio (net) (*†)	8.73	8.72	8.80	8.74	8.74	8.81	9.14
Dealings marked	4,471	4,396	4,250	4,226	4,219	4,682	5,260
Equity turnover £m	—	58.08	72.25	66.53	76.43	69.81	65.28
Equity bargains total	—	14,425	14,178	13,451	14,237	14,998	14,728

10 am 496.0. 11 am 496.9. Noon 498.4. 1 pm 496.0. 2 pm 496.1. 3 pm 495.8.

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil=8.50.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. Ex-$ pm. Index started June, 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	68.79 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	535.5 (14/9)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8)	130.3 (5/1)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines (Ex-$ pm.)	152.3 (14/8)	90.3 (18/4)	337.1 (3/4/74)	54.3 (25/8/76)

S.E. ACTIVITY

	Oct. 24	Oct. 23
—Daily		
Gilt-Edged	155.7	187.6
Industries	151.7	147.1
Speculative	38.1	48.2
Totals	101.8	100.1
5-day Average		
Gilt-Edged	156.5	168.9
Industries	144.3	144.1
Speculative	44.2	45.7
Totals	98.2	98.[illegible]

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	52	—	24
Corpns. Dom. and Foreign Bonds	9	1	52
Industrials	236	274	1,028
Financial and Prop.	51	85	577
Oils	6	8	22
Plantation	22	1	18
Mines	18	62	50
Recent Issues	5	10	25
Totals	399	442	1,796

LONDON TRADED OPTIONS

Option	Ex'rcise price	October Closing offer	October Vol.	January Closing offer	January Vol.	April Closing offer	April Vol.	Equity close
BP	850	40	2	80	—	105	—	887p
BP	950	1/4	46	26	—	44	—	
Com Union	140	3	4	11	2	15	2	141p
Com Union	160	1/2	28	4	—	7	—	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

Changes in Distillers group

Mr. M. B. J. Kimmins has been appointed to the Board of Wm. Sanderson and Son and will take over as managing director from Mr. K. J. Ross on January 1. Mr. Kimmins will resign as export marketing director of James Buchanan and Co.

Mr. K. J. Ross retires at the beginning of next year from the Board of the parent DISTILLERS COMPANY and as managing director of Wm. Sanderson and chairman of J. and W. Hardie. He is retiring early because his sight has become impaired.

★

Mr. Antoine Crabit has been made UK representative to the London office of the CAISSE CENTRALE DES BANQUES POPULAIRES in succession to Mr. Lionel Thornton. Mr. Karl Ruge has joined the bank as adviser.

★

Mr. Gerald Orbell has been appointed operations planning manager at BRITISH RAILWAYS BOARD headquarters, Marylebone. Previously chief operating manager for the Eastern Region at York, Mr. Orbell succeeds Mr. G. R. Papworth.

★

Mr. J. R. Cade, senior solicitor to the West of England Trust Group and responsible for its commercial legal work, has been appointed to the board of JORDANS GROUP, a member company.

★

Mr. Tony Painter, executive director of the Advertising Standards Authority, is to take up an appointment as regional director for Greater London and the South-East with the MOTOR AGENTS' ASSOCIATION from January 1.

★

Mr. John Briggs and Mr. Brian McGillivray have joined the board of BUNZL PAPER AND PULP. Mr. Briggs is a director of Norcros and Mr. McGillivray is chief executive of Rentokil Group.

★

Mr. Jasper Archer, Mr. Peter Belchamber, Mr. Tony Cutmore, Mr. Steve Gebbett and Mr. Josceline Grove have been appointed directors of CHARLES BARKER LYONS. Mr. Bob Johnson, Mrs. Beverley Jones, Miss Jennifer Potter and Mr. David Watson have become associate directors.

★

Mr. S. G. Errington, managing director of Mercantile Credit Company, has been appointed president of LEASEUROPE, the European Federation of Equipment Leasing Company Associations. Mr. Errington, a former chairman of the Equipment Leasing Association, the UK member of Leaseurope, is also deputy chairman of Barclays Mercantile Industrial Finance.

★

Mr. T. A. Clark and Mr. M. C. S. Morgan have been appointed directors of FRENCH KIER CONSTRUCTION, a member of the French Kier Holdings Group in which both have held senior appointments for many years.

★

Mr. J. G. W. Lee, managing director, Hawker Siddeley Dynamics Engineering, has been appointed a director of HAWKER SIDDELEY ELECTRIC. Mr. J. R. Harkus has been made a director of CROMPTON PARKINSON INSTRUMENTS, a member company.

★

Mr. T. Lloyd Robinson, Master of the Society of Merchant Venturers, has been appointed a director of the BRISTOL WATERWORKS COMPANY.

★

Mr. Brian Shields has been appointed by BOVIS CONSTRUCTION as divisional director, marketing, based at the company's Harrow headquarters. He was previously with John Laing Construction.

★

Mr. Andrew J. Hall has been appointed associate director, client services, the ROYAL TRUST COMPANY OF CANADA in London. Mr. Edward S. Plummer has become managing director of Royal Trust Company (Isle of Man) in succession to Mr. Hall, who remains on the Board of that company.

★

Mr. Roy Clinning, previously finance director and secretary, has been appointed chairman of VIBROPLANT HOLDINGS following the death of Mr. Geoffrey Pilkington. Mr. M. A. Pilkington has become a director.

★

Mr. D. C. Wilbraham has been appointed to the Board of KLONDYKE SHIPPING COMPANY, a subsidiary of North British Maritime Group.

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (34)

COM'WEALTH & AFRICAN LOANS (1)
N.Z. 4pc '76-78

BEERS (1)
Irish Distillers

BUILDINGS (2)
[illegible]

LEISURE (1)
Norton & Wright

MOTORS (1)
Brit. Car Auction

PAPERS (1)
Causton (Sir J.)

PROPERTY (2)
Fairview Ests. Warnford Invs.

TRUSTS (1)
Hampton Trust

OVERSEAS TRADERS (1)
Boustead

MINES (1)
[illegible]

NEW LOWS (10)

[illegible]

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Oct. 24, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Mon. Oct. 23 Index No.	Fri. Oct. 20 Index No.	Thurs. Oct. 19 Index No.	Wed. Oct. 18 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	242.23	−0.1	16.02	5.17	8.58	242.53	243.99	240.76	239.84	220.92
2	Building Materials (27)	211.08	+0.2	16.75	5.37	8.21	210.65	211.33	207.97	208.87	213.62
3	Contracting, Construction (28)	378.86	+0.2	18.30	4.18	7.94	378.23	381.07	370.36	373.56	374.69
4	Electricals (14)	555.08	−0.5	13.07	3.34	10.57	557.82	564.02	558.54	552.43	472.66
5	Engineering Contractors (14)	380.03	−0.9	17.46	5.74	7.76	383.33	382.93	378.43	379.82	304.62
6	Mechanical Engineering (72)	192.24	—	17.39	5.71	7.71	192.19	193.04	190.81	189.07	169.15
8	Metals and Metal Forming (16)	168.96	—	15.81	8.43	8.76	168.94	169.67	168.04	167.98	162.66
11	CONSUMER GOODS (DURABLE) (53)	214.79	—	16.02	4.94	8.72	214.77	215.87	213.87	214.15	211.82
12	Lt. Electronics, Radio, TV (16)	262.89	−0.1	14.00	3.88	10.02	263.14	265.51	262.76	263.09	257.95
13	Household Goods (12)	185.79	+0.3	16.03	6.10	8.59	185.27	185.27	184.92	185.12	197.17
14	Motors and Distributors (25)	128.93	+0.1	19.33	6.42	7.21	128.79	128.77	127.59	127.77	125.98
21	CONSUMER GOODS (NON-DURABLE) (172)	213.42	+0.1	15.57	5.83	8.65	213.16	214.81	213.56	213.57	211.15
22	Breweries (14)	234.14	+1.2	14.28	6.07	9.63	231.32	231.31	229.09	228.89	223.78
23	Wines and Spirits (6)	282.36	+0.9	15.08	5.10	9.90	279.93	281.27	280.17	277.75	250.09
24	Entertainment, Catering (17)	270.16	+0.1	13.48	6.46	10.82	270.01	271.22	268.05	267.19	268.82
25	Food Manufacturing (19)	207.59	+0.3	18.64	5.26	7.10	206.87	208.84	207.53	207.97	212.53
26	Food Retailing (15)	228.36	−0.4	13.20	4.51	10.54	229.18	231.60	227.78	230.20	241.67
32	Newspapers, Publishing (12)	397.01	+0.4	19.25	6.09	7.29	395.53	394.87	392.83	392.27	351.26
33	Packaging and Paper (15)	144.71	+0.1	17.80	7.41	7.40	144.62	145.96	145.33	145.60	140.42
34	Stores (40)	199.51	−0.3	11.42	4.71	12.70	200.04	202.51	202.51	201.49	201.41
35	Textiles (25)	183.31	+0.1	18.16	7.93	7.14	183.15	184.78	184.03	183.90	178.80
36	Tobaccos (3)	235.90	−0.4	23.34	7.95	5.07	236.90	237.48	235.32	235.42	231.70
37	Toys and Games (6)	107.51	+2.2	21.08	5.97	5.55	105.25	105.98	106.57	111.64	117.22
41	OTHER GROUPS (98)	207.43	+0.2	15.11	5.86	8.53	206.92	208.13	206.25	207.47	205.66
42	Chemicals (19)	295.09	+0.6	15.54	6.41	8.37	293.32	295.15	292.70	292.66	280.04
43	Pharmaceutical Products (7)	264.78	+0.4	10.76	3.91	11.40	263.85	265.23	263.44	266.73	[illegible]
44	Office Equipment (6)	135.68	+1.7	17.91	5.60	6.66	133.45	135.42	133.35	133.98	130.76
45	Shipping (10)	424.58	−0.1	14.64	7.21	8.72	425.14	427.07	424.28	423.43	487.14
46	Miscellaneous (57)	222.04	−0.4	16.93	6.30	7.86	222.94	223.87	221.54	223.75	215.80
49	INDUSTRIAL GROUP (495)	226.27	+0.1	15.61	5.60	8.61	226.09	227.58	225.59	225.63	219.57
51	Oils (5)	503.60	−0.2	13.88	3.99	7.82	504.77	509.69	507.95	508.34	513.86
59	500 SHARE INDEX	249.53	—	15.35	5.36	8.48	249.45	251.22	249.21	249.29	243.92
61	FINANCIAL GROUP (100)	164.94	−0.1	—	5.90	—	165.06	165.72	164.28	164.33	174.51
62	Banks (6)	187.10	—	24.98	6.26	6.00	187.04	188.54	187.55	186.56	180.72
63	Discount Houses (10)	210.15	—	—	8.37	—	210.13	209.33	205.51	206.00	231.05
64	Hire Purchase (5)	152.45	−1.1	15.98	5.41	8.26	154.19	153.66	155.23	155.40	191.63
65	Insurance (Life) (10)	132.41	+0.1	—	7.10	—	132.22	132.82	130.60	130.54	156.78
66	Insurance (Composite) (7)	121.01	−0.2	—	7.25	—	121.24	121.66	120.28	121.17	148.47
67	Insurance Brokers (10)	331.36	−0.3	14.32	5.00	9.99	332.22	334.54	330.72	330.34	331.28
68	Merchant Banks (14)	81.43	−0.2	—	5.97	—	81.57	81.76	81.09	80.81	92.54
69	Property (31)	259.62	—	3.32	2.83	51.68	259.73	259.74	257.50	258.00	233.43
70	Miscellaneous (7)	109.33	+0.2	23.10	7.67	5.61	109.11	109.07	109.13	108.83	107.68
71	Investment Trusts (50)	218.16	−0.2	3.19	4.79	31.32	218.55	219.82	218.93	219.46	201.30
81	Mining Finance (4)	108.74	−1.3	16.79	6.55	7.26	110.18	111.53	111.39	109.19	98.73
91	Overseas Traders (19)	325.73	−0.1	15.23	7.06	8.24	326.10	327.38	325.31	324.03	288.50
99	ALL-SHARE INDEX (673)	227.56	—	—	5.49	—	227.61	229.10	227.33	227.30	223.97

FIXED INTEREST PRICE INDICES

	British Government	Tues. Oct. 24	Day's change %	xd adj. today	xd adj. 1978 to date
1	Under 5 years	103.63	+0.06	—	7.89
2	5-15 years	114.53	+0.19	—	7.61
3	Over 15 years	118.07	+0.22	—	12.26
4	Irredeemables	127.76	—	—	9.02
5	All stocks	111.36	+0.15	—	9.47

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Tues. Oct. 24	Mon. Oct. 23	Year ago (approx.)
1	Low Coupons	5 years	9.18	9.19	6.39
2		15 years	[illegible]	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]	[illegible]
4	Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]

		Tuesday, Oct. 24 Index No.	Yield %	Monday Oct. 23	Friday Oct. 20	Thurs. Oct. 19	Wed. Oct. 18	Tues. Oct. 17	Monday Oct. 16	Friday Oct. 13	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	56.69	13.09	56.69	56.66	56.66	56.66	56.69	56.70	57.25	62.59
16	Investment Trust Prefs. (15)	51.37	13.85	51.46	51.37	51.37	51.33	51.23	51.33	51.33	56.86
17	Coml. and Indl. Prefs. (20)	72.19	12.96	72.12	72.06	72.06	72.03	72.05	71.73	71.65	78.67

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 22p.

AUTHORISED UNIT TRUSTS

Mercury Fund Managers Ltd.
30, Gresham St., EC2P 2EB. 01-600 4555

Merc. Gen. Oct. 25	199.5	212.2	-7.0	4.22
Acc. Uts. Oct. 25	264.0	280.9	-8.4	4.22
Merc. Int. Oct. 25	69.1	73.5	-3.2	2.64
Acc. Uts. Oct. 25	74.5	79.3	-3.4	2.64
Merc.Ext.Sept.28	246.4	256.7	.....	4.13
Accm.Uts. Sept. 28	298.7	311.1	.....	4.13

Midland Bank Group Unit Trust Managers Ltd.♥ (a)
Courtwood House, Silver Street, Head. Sheffield, S1 3RD. Tel: 0742 79842

Commodity & Gen.	72.6	78.2	-0.4	4.99
Do. Accum.	84.2	90.6	.....	4.97
Growth	36.3	39.1	.....	2.92
Do. Accum.	38.9	41.9	-0.1	2.92
Capital	27.4	29.5	-0.1	3.22
Do. Accum.	29.9	32.2	-0.1	3.22
Income	54.2	58.3	.....	3.18
Do. Accum.	63.2	68.0	.....	6.43
International	44.1	47.7	-0.3	2.47
Do. Accum.	47.1	50.8	-0.3	2.47
High Yield	64.2xd	69.1xd	.....	8.17
Do. Accum.	70.1	75.4	.....	8.17
Equity Exempt*	104.7xd	110.5xd	.....	5.63
Do. Accum.*	104.7	110.5	.....	5.63

*Prices at Sept. 29. Next dealing Oct. 31.

For Equitas Securities Ltd. see Abbey Unit Trust Mngrs.

Prices Oct. 18. Next dealing Oct. 25.

CORAL INDEX: Close 494-499

INSURANCE BASE RATES

†Property Growth 10¼%
†Vanbrugh Guaranteed 10.12%
†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Hill-Samuel & Co. (Guernsey) Ltd.
8 LeFebvre St., Peter Port Guernsey, C.I.
Guernsey Tst. | 154.0 | 164.8 | -0.1 | 3.60

Hill Samuel Overseas Fund S.A.
37, Rue Notre-Dame, Luxembourg

International Pacific Inv. Mngt. Ltd.
PO Box R237, 56, Pitt St., Sydney, Aust.
Javelin Equity Tst. | $A2.36 | 2.48 | ..... | —

J.E.T. Managers (Jersey) Ltd.
PO Box 98 Channel House, Jersey.
Jersey Extrnl. Tst. | 191.0 | 204.0 | ..... | —
As at Sept. 29. Next sub. day Oct. 31.

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$353.70	.....	2.00
Jardine Jpn. Fd.*	HK$418.33	.....	0.60
Jardine S.E.A.	$US19.78	.....	1.80
Jardine Flem. Int.	HK$12.48	.....	—
Intl Pac Secs (Inc.)	HK$12.07	.....	—
Do. (Accum.)	HK$15.24	.....	—

NAV Oct. 16. *Equivalent $US87.21. Next sub. Oct. 31.

United States Tst. Intl. Adv. Co.
14, Rue Aldringer, Luxembourg.
U.S. Tst. Inv. Fnd. | $US10.65 | +0.02 | 0.94
Net assets October 23.

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2. 01-600 4555

Conv. Bd. Oct. 23	$US9.59	-0.05	—
Engy. Int. Oct. 23	$US17.55	-0.23	—
Gr. St. $Fd. Aug. 31	$US7.58	.....	—
Merc. Ebd Oct. 18	$US10.35	10.46	0.1763
MercMnyMktOct18	£10.06	10.07	—

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. Sept.28	$US13.8	14.28	—
CMT Ltd. Sept.28	£14.39	14.76	—
Metals Tst. Oct. 19	£12.90	13.22	—
TMT Oct. 13	$US11.39	11.69	—
TMT Ltd. Oct. 13	£11.11	11.40	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd | $US16.25 | -0.06 | —

NOTES

Prices do not include $ premium except where indicated $, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by ♦. ‡ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
24	17	Antofagasta Rly.	23½	......	—	—
41	33	Do. 5pc Pref.	41	......	—	—
98	95	Chilean Mixed	98	......	—	£3.09
415	350	German Yng. 4½pc.	411	......	4½	—
54	46	Greek 7pc Ass.	50	......	3½	£7.25
51	46	Do 6pc. 28 Stab. Ass.	49	......	6	£6.22
44	40	Do 4pc Mixed Ass.	40	......	4	£5.06

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 38¾% (based on US$2.0085 per £) Conversion factor 0.7211 (0.7181)

CANADIANS

S.E. List Premium 38¾% (based on $2.3811 per £)

BANKS AND HIRE PURCHASE

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICAL AND RADIO

ENGINEERING—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

FINANCIAL TIMES

BRACKEN HOUSE, 10, CANNON STREET, LONDON EC4P 4BY
Telex: Editorial 886341/2, 883897. Advertisements: 885033. Telegrams: Finantimo, London PS4.
Telephone: 01-248 8000.
For Share Index and Business News Summary in London, Birmingham, Liverpool and Manchester, Tel: 246 8026
INTERNATIONAL AND BRITISH OFFICES

EDITORIAL OFFICES

Amsterdam: P.O. Box 1296, Amsterdam-C. Telex 12171 Tel: 240 555
Birmingham: George House, George Road. Telex 338650 Tel: 021-454 0922
Bonn: Presshaus 11/104 Heussallee 2-10. Telex 8869542 Tel: 210039
Brussels: 39 Rue Ducale. Telex 23283 Tel: 512-9037
Cairo: P.O. Box 2040. Tel: 938510
Dublin: 8 Fitzwilliam Square. Telex 5414 Tel: 785321
Edinburgh: 37 George Street. Telex: 72484 Tel: 031-226 4120
Frankfurt: Im Sachsenlager 13. Telex: 416263 Tel: 555730
Johannesburg: P.O. Box 2128 Telex 8-6257 Tel: 838-7545
Lisbon: Praca da Alegria 58-1D, Lisbon 2. Telex 12533 Tel: 362 508
Madrid: Espronceda 32, Madrid 3. Tel: 441 6772
Manchester: Queen's House, Queen Street. Telex 666813 Tel: 061-834 9381
Moscow: Sadovo-Samotechnaya 12-24, Apt. 15. Telex 7900 Tel: 200 2748
New York: 75 Rockefeller Plaza, N.Y. 10019. Telex 66390 Tel: (212) 541 4625
Paris: 36 Rue du Sentier, 75002. Telex 220044 Tel: 236.57.43
Rio de Janeiro: Avenida Pres. Vargas 418-10. Tel: 253 4848
Rome: Via della Mercede 55. Telex 61032 Tel: 678 3314
Stockholm: c/o Svenska Dagbladet, Raalambsvagen 7. Telex 17603 Tel: 50 60 88
Tehran: P.O. Box 11-1879. Telex 213930 Tel: 682698
Tokyo: 8th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku. Telex J 27104 Tel: 241 2920
Washington: 2nd Floor, 1325 E. Street, N.W., Washington D.C. 20004 Telex 440340 Tel: (202) 347 8676

ADVERTISEMENT OFFICES

Birmingham: George House, George Road. Telex 338650 Tel: 021-454 0922
Edinburgh: 37 George Street. Telex 72484 Tel: 031-226 4139
Frankfurt: Im Sachsenlager 13. Telex 16263 Tel: 554667
Leeds: Permanent House, The Headrow. Tel: 0532 454969
Manchester: Queen's House, Queen Street. Telex 666813 Tel: 061-834 9381
New York: 75 Rockefeller Plaza, N.Y. 10019 Telex 238409 Tel: (212) 489 8300
Paris: 36 Rue du Sentier, 75002. Telex 220044 Tel: 236 86 01
Tokyo: Kasahara Building, 1-6-10 Uchikanda, Chiyoda-ku. Telex J 27104 Tel: 295 4050

Overseas advertisement representatives in Central and South America, Africa, the Middle East, Asia and the Far East.
For further details, please contact:
Overseas Advertisement Department,
Financial Times, Bracken House, 10, Cannon Street, London EC4P 4BY

SUBSCRIPTIONS

Copies obtainable from newsagents and bookstalls worldwide or on regular subscription from Subscription Department, Financial Times, London

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

MINES—Continued

AUSTRALIAN

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
15	10	Acmex 25c	10	......	—	—	—
140	64	Bougainville 50 Toea	127	......	†Q8c	1.4	4.0
131	63	BH South 50c	120	......	—	—	—
820	150	Central Pacific	450	......	—	—	—
336	148	Conzinc Riotinto 50c	274	......	‡Q10c	2.2	‡
27	9½	Endeavour 20c	21	−½	—	—	—
72	45	G.M. Kalgoorlie $1	70	......	—	—	—
68	18	Haoma Gold N.L.	40	+2	—	—	—
140	81	Hampton Areas 5p	124	+1	t3.55	2.0	4.3
40	10	Metals Ex. 50c	29½	−½	—	—	—
223	125	M.I.M. Hldgs. 50c	192xd	+1	Q9c	1.7	2.9
40	10	Mount Lyell 25c	39	......	—	—	—
7	1½	Newmetal 10c	6½	−¼	—	—	—
143	79	North B. Hill 50c	111	+1	Q8c	1.3	4.5
16½	8½	Nth Kalgurli	14½	......	—	—	—
50	12	Nth West Mining	28	+4	—	—	—
178	117	Oakbridge SA1	132	+1	†Q11c	1.9	5.2
42	10	††Gilmun N.L.	25	......	—	—	—
70	30	Pacific Copper	65	+1	—	—	—
£15½	750	Pancont'l 25c	925	+25	—	—	—
40	12	Parinara M&Ex 5p	25½	−1	—	—	—
570	310	Peko-Wallsend 50c	463	+3	Q15c	ф	2.0
300	50	Southern Pacific	160	......	—	—	—
164	84	Westn. Mining 50c	138	+5	Q3c	0.7	‡
70	35	Whim Creek 20c	55	......	—	—	—

TINS

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	24	......	2.81	1.3	17.4
420	240	Ayer Hitam SM1	370	......	Q300c	0.5	17.4
60	45	Beralt Tin	53	......	14.0	4.4	11.8
305	200	Berjuntai SM1	265	......	Q110c	ф	8.9
175	111	Geevor	175	+5	5.04	5.6	4.3
10½	8½	Gold & Base 12½p	10½	......	—	—	—
345	220	Gopeng Cons.	345	......	†15.36	0.9	6.8
290	130	Hongkong	290	......	—	—	—
93	78	Idris 10p	87	......	‡12.0	1.6	‡
11	7	Jantar 12½p	8½	......	—	—	—
84	68	Kamunting SM0.50	76	......	Q12½c	2.1	3.5
640	450	Killinghall	640	......	Q125	ф	19.6
470	280	Malay Dredging SM1	465	......	†Q95c	0.8	4.4
78	40	♦Pahang	66	+1	‡Q3.75c	0.5	‡
78	50	Pengkalen 10p	74	......	6.60	1.3	13.3
270	165	Petaling SM1	260	......	†Q60c	1.6	7.1
83	49	Saint Piran	80	......	2.03	6.5	3.8
70	47	South Crofty 10p	68	−1	4.19	2.0	9.2
245	140	South Kinta SM0.50	240	......	‡Q145c	0.6	13.0
340	230	Sthn Malayan SM1	338	+3	†Q173c	1.1	8.3
240	134	Sungei Besi SM1	220	......	Q65c	5.3	6.4
85	55	Supreme Corp. SM1	75	......	‡Q10c	—	2.9
100	85	Tanjong 15p	88	......	6.60	0.8	11.2
100	74	Tongkah Hrbr SM1	90	......	[illegible]	1.6	‡
270	148	Tronoh SM1	345	......	‡Q88c	1.6	‡

COPPER

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
104	70	Messina R0.50	73	−1	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
68	35	Barymin	56	......	—	—	—
17	9	Burma Mines 17½p	16	......	—	—	—
300	215	Cons. Murch. 10c	235	......	‡Q30c	2.6	‡
465	245	Northgate C$1	355	−15	—	—	—
263	164	R.T.Z.	252	−4	9.5	2.8	5.7
90	30	Sabina Inds. C$1	52	......	—	—	—
£12	750	Tara Exptn. $1	875	+19	—	—	—
85	43	Tehidy Minerals 10p	85	......	♦1.35	ф	2.4
185	120	Yukon Cons. C$1	155	......	Q7c	2.9	2.2

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

1978 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
$15¼	$11	Buffels R1	$11	−⅛	Q170c	1.8	17.9
$11¼	880c	East Drie R1	955c	−25	†Q78c	1.7	9.4
585c	330c	East Rand Prp. R1	460c	−10	—	—	—
$28⅜	$16⅝	F.S. Geduld 50c	$22¼	−1½	Q315c	ф	16.3
$15⅛	$11	Pres. Brand 50c	$12⅞	−¾	Q150c	ф	14.0
$13⅞	$10½	St. Helena R1	$10½	−¼	Q190c	ф	20.9
465c	313c	Stilfontein 50c	425c	−20	†Q22c	2.3	6.0
$22½	$16⅝	Vaal Reefs 50c	$17⅞	−⅞	Q115c	3.3	7.4
$37	$25	West Drie R1	$30¾	−1¼	Q385c	1.7	14.5
$31¼	$19¾	West Hldgs. 50c	$27⅞	−1⅛	Q415c	ф	17.2
$12½	895c	Western Deep R2	$10⅞	−⅝	Q82.5c	2.4	8.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ◆ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Albany Inv. 20p	26	
Ash Spinning	49	
Bertam	16	−1
Bdgw'tr Est. 50p	330	
Clover Croft	26	
Craig & Rose £1	520	
Dyson (R. A.) A.	37	
Ellis & McHdy	67	
Evered	27	
Fife Forge	52	......
Finlay Pkg. 5p	21 d	......
Graig Ship. £1	140	......
Higsons Brew.	77	......
I.O.M. Stm. £1	172	......
Holt (Jos.) 25p	256	......
N'thn. Goldsmith	67	+1
Pearce (C. H.)	190	......
Peel Mills	21	......
Sheffield Brick	54xd	−1
Sheff. Refrshmt.	64	......
Sindall (Wm.)	112	......

IRISH

Stock	Price	+ or −
Conv. 9% 80/82	£91	+¼
Alliance Gas	93xd	+3
Arnott	375	......
Carroll (P.J.)	100	......
Clondalkin	88xd	−1
Concrete Prods.	130	......
Heiton (Hldgs.)	49	......
Ins. Corp.	190	......
Irish Ropes	100	......
Jacob	60xd	+1
Sunbeam	33	......
T.M.G.	200	−5
Unidare	85	......

OPTIONS
3-month Call Rates

Stock	Rate	Stock	Rate	Stock	Rate
Industrials		I.C.I.	20	Tube Invest.	30
A. Brew	6½	"Imps"	6	Unilever	35
A.P. Cement	18	I.C.L.	20	Utd. Drapery	7½
B.S.R.	9	Inveresk	8	Vickers	15
Babcock	11	KCA	3	Woolworths	5
Barclays Bank	25	Ladbroke	17		
Beecham	35	Legal & Gen.	14	**Property**	
Boots Drug	15	Lex Service	7	Brit. Land	3¾
Bowaters	16	Lloyds Bank	22	Cap. Counties	4½
B.A.T.	24	"Lots"	4	E.P.	5
British Oxygen	6	London Brick	5	Intreuropean	4
Brown (J.)	20	Lonrho	5	Land Secs.	16
Burton 'A'	12	Lucas Inds.	25	MEPC	12
Cadburys	5	Lyons (J.)	10	Peachey	8
Courtaulds	10	"Mams"	7	Samuel Props.	9
Debenhams	8	Mrks. & Spncr	10	Town & City	1¼
Distillers	15	Midland Bank	25		
Dunlop	7	N.E.I.	12	**Oils**	
Eagle Star	11	Nat West. Bank	22	Brit. Petroleum	45
E.M.I.	14	Do. Warrants	10	Burmah Oil	5
Gen. Accident	17	P & O Dfd.	8	Charterhall	3
Gen. Electric	18	Plessey	8	Shell	28
Glaxo	40	R.H.M.	5	Ultramar	20
Grand Met.	9	Rank Org. 'A'	18		
G.U.S. 'A'	20	Reed Intnl.	12	**Mines**	
Guardian	18	Spillers	3	Charter Cons.	12
G.K.N.	22	Tesco	4	Cons. Gold	14
Hawker Sidd.	20	Thorn	22	Rio T. Zinc	16
House of Fraser	12	Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday October 25 1978

American seeks to rescue Wheal Jane mine

BY PAUL CHEESERIGHT

Ashley Ashwood
Mr. Robert L. Sprinkel III plans personal stake

ROBERT L. SPRINKEL III, a Californian businessman now living in Derbyshire, is seeking to put together an £8m financial package with City institutions, to take over the Wheal Jane tin mine, near Truro in Cornwall, from Consolidated Gold Fields.

Production at Wheal Jane stopped last May following the closure of the neighbouring Mount Wellington tin mine, owned by Cornwall Tin and Mining. Since then, the Government has spent £243,000 on pumping, to keep both mines dry.

Mr. Sprinkel intends to make Consolidated Gold Fields a definite offer for Wheal Jane within the next fortnight. Gold Fields has named its asking price, which Mr. Sprinkel described yesterday as "fair."

No figures have been officially disclosed but it is thought Gold Fields would accept less than £2m. "We would hope to have a transaction for the acquisition of Wheal Jane about the end of the year," Mr. Sprinkel said.

The balance of the £8m will be spent on development and will cover a period of about nine months when the mine, under new management, will not be producing any cash flow.

Mr. Sprinkel plans to take a personal stake in the rescue venture, although he will not hold as much as 50 per cent of the total investment.

The Government's future role is unclear at this stage. Mr. Sprinkel, who has been in touch with the Department of Industry for several weeks, said: "If I could avoid going to them, I would so avoid. Probably we will expect some Government involvement. What it will be is too early to tell."

At present his efforts are directed towards raising money in the City, with the help of his brokers and merchant bankers. While individual executives have expressed interest in his approach to Wheal Jane, he has not yet received any corporate commitment.

Such commitment is unlikely until potential investors have seen an arms-length appraisal of the Sprinkel plans, being prepared by Mackay and Schnellmann, the London mining consultants.

Mr. Sprinkel's problem is to convince the institutions that he can succeed in making Wheal Jane profitable over an extended period when Gold Fields, a group with international experience, manifestly failed.

Certainly his background would suggest that he will be able to speak with City financiers on the same wavelength. Aged 43, he was in investment banking for 10 years and is a graduate of the Harvard Business School. He is involved as a principal in a number of U.S. gold and silver properties.

After the withdrawal of C. Guilini, an Italian concern, from fluorspar mining in Derbyshire, he put together a package which led to the takeover of the property by Dresser Industries of Texas.

Failing a sudden agreement between Gold Fields and the Government on subsidies, the hopes of a Wheal Jane rescue now centre on Mr. Spinkel. Yesterday, Mr. Alan Williams, the Minister of State for Industry, said that talks with Cornwall Tin and Mining had ended with no proposals being made.

Mining News, Page 33

PRICE COMMISSION CRITICAL

Road haulage charges 'must be curbed'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

ROAD - HAULAGE charges should not be increased in the next year by more than the rise in the rate of inflation, the Price Commission said yesterday.

In a report examining prices, costs and margins in road haulage the commission says that if charges are increased by more than the general rise in prices it will advise the Prices Secretary to act to restrict them.

Any individual companies which seek Price Commission approval for higher price rises will be carefully scrutinised, the commission's report says.

Unit costs

The Commission believes that unit costs in the industry are higher than they need be, and that there is considerable scope for cost savings by greater operating efficiency.

It recommends a number of improvements to efficiency, including restructuring of drivers' pay, more intensive use of vehicles and routes, and introduction of the tachograph, which records details of vehicle use.

Fitting and use of tachographs is required under EEC legislation, but has been resisted by unions in the industry. Hauliers in general have not risked industrial action by trying to force the issue.

The Price Commission says that "drivers should have nothing to fear from the tachograph, and it appears to us that the potential benefits to employers, despite the substantial costs involved in initial fitting and annual calibration, and to the community at large are not inconsiderable."

The Commission believes that costs could be reduced by such measures as planning work so that lorries avoid empty return journeys.

Some 30 to 40 per cent of vehicle mileage is completed without a pay-load, the report says.

It suggests that the industry take a more flexible approach to weekend and night deliveries and collections, improving output of vehicle fleets and reducing congestion on the roads.

Imminent introduction of the eight-hour driving day under EEC legislation, it says, provides a good opportunity for companies to renegotiate wage structures to encourage greater efficiency. The common practice of paying overtime on notional hours rather than actual hours worked leads to inefficiency.

Long term

The overall report makes some of the strongest criticisms of the 10-sector examinations carried out by the commission. This is in line with its policy of promoting more efficient practices by companies as a long-term means of price restraint.

Last night one of the leading trade associations in the industry, the Freight Transport Association, described the recommendations for improving efficiency as "superficial rather than practical."

Details, Page 7
Editorial Comment, Page 18

Talks on new pay and price agreement

By Christian Tyler, Labour Editor

MINISTERS and TUC leaders last night were working all out to forge a new agreement on wages, prices, and inflation in time for the new session of Parliament next week.

The meeting ended with both sides agreeing to meet again in the next few days. The TUC leaders appeared confident that the Government was moving towards their demand for a tougher regime on prices as part of a deal to keep inflation in single figures.

The Prime Minister, although not involved in yesterday's private meeting held at the Treasury, wants the agreement—if agreement is possible—in time for the Queen's Speech next Wednesday.

Prices were the main issue at the talks. The question was whether the Government would be persuaded to relax its rigid application of a 5 per cent limit on pay settlements, and introduce tougher control of price rises as a total or partial substitute for automatic sanctions and the "blacklist" of employers.

The TUC was bidding hard for wider powers for the Price Commission, and possibly a new body that would look more like the former Prices and Incomes Board than the present commission.

Ministers are prepared to consider tougher price curbs, despite the likelihood that further legislation, if needed, would have a difficult passage in Parliament.

Mr. Callaghan has insisted throughout that 5 per cent is the right figure.

But this does not exclude the possibility that he may be persuaded to treat the 5 per cent as a norm or guideline, rather than a limit. That would enable a settlement at Ford Motor above the 5 per cent—8 per cent has already been offered—to be waved through, like last year, on the grounds of the company's profitability.

The TUC was believed to be offering, as its half of the bargain, some positive recommendation to union negotiators around the country to take companies' ability to absorb price rises fully into account. Although congress policy is entirely hostile to any Government norm or limit, it also gives the TUC leaders freedom to say that "responsible" bargaining means containing unit costs. The TUC might also agree to some part in the vetting of price rises.

Ivor Owen writes:

There are now 55 firms on the Government's "blacklist" as a result of having breached the 10 per cent guideline in the last payround.

This was disclosed by Mr. Joel Barnett, the chief secretary to the Treasury, in a written answer in the Commons yesterday.

THE LEX COLUMN

Pressure stays on interest rates

Index rose 0.9 to 496.5

The money market continues to be a highly nervous place. Last week's soothing speeches at the Mansion House may have stabilised the gilt-edged market, at least for the moment, but the discount houses are still behaving as though interest rates will inevitably be forced up soon—probably by pressures from the United States. Yesterday the market rate for "hot" Treasury bills was edging above 10 per cent, while the three-month interbank rate is close to 11 per cent.

A warning note is also struck by the latest Monetary Bulletin from W. Greenwell. The brokers are worried that the money supply—especially on the narrower definition M1—has not slowed down enough after last year's surge. They are not altogether convincing on this score, for they have to turn to notes and coin, and devise something called "non-interest bearing M1," in order to find monetary aggregates which have been rising at all fast in recent months. These two measures have been growing at annual rates of around 20 per cent since April, against 4 per cent for sterling M3 (the Government's target variable). Greenwell, however, are more telling in their argument that expansionary forces will shortly put pressure on interest rates.

Ever since the spring, when the Budget foreshadowed a sharp rise in the PSBR, the danger has existed that the Government would not make room for a sharp upturn in the growth of the private sector of the economy. The signs are that this growth is now proceeding apace—hence, for instance, yesterday's news of a sharp drop in the numbers of unemployed. Unless the Government makes a fiscal adjustment the monetary pressures are likely to grow.

Greenwell's monetarist analysis is that the economy has been responding to last year's big injection of money. Although money growth has since slowed down again, credit demands will soon start picking up. Indeed, it may already be happening. Last Thursday's banking sector statistics, showing only modest growth, reflected conditions in August and early September. Since then money market interest rates have risen by around 1½ points.

Historically in these conditions sterling has weakened, forcing a quick adjustment on the authorities. But with the dollar taking the strain for the time being it may be that domestic forces will be left to operate on a slower timetable.

Paterson Zochonis

If any company seemed bound to suffer from Nigeria's well publicised economic difficulties it looked like Paterson Zochonis. Nigeria is far and away the most important origin of its profits and the key reason why its attributable profits leapt from £1.8m to £8.6m in the four years up to May 1977. In terms of Nigerian market share PZ probably ranks third after Unilever's United Africa Company and Lonrho's John Holt—its closest rivals.

However, as PZ's preliminary figures show, the group has been remarkably successful in maintaining its profits in the face of increasing local participation in its key companies and a deteriorating economic climate. At the attributable level profits are 11 per cent higher at £9.6m.

Admittedly, PZ has seen its operating margins drop from 10.1 per cent to 7.3 per cent on the back of a near 50 per cent increase in sales. The group reckons that Nigerian spending power has been reduced by around 30 per cent and this has meant that competition between groups such as PZ, UAC and John Holt has been stepped up. Added to which there have been the problems of price controls and import bans on selected products.

But the impact on individual companies of Nigeria's deteriorating economic situation has clearly been patchy. PZ in common with UAC still seems to be doing fairly well while groups such as Inchcape and John Holt appear to have been harder hit. In PZ's case it admits to suffering from a cutback in imports but believes that its commitment to increasing its investment in protected Nigerian manufacturing industries will eventually offset the short-term disadvantages.

Meanwhile, the group has continued to build up its UK operations and diversify into Australia and Greece. For the time being its profits seem to be on a plateau but the dividend is covered an ample seven times and at 190p the shares yield over 6 per cent.

Electric spread

There is good news for everybody in the terms of the $800m loan facility now being assembled for Electricite de France. The 10-year facility is to back an issue of commercial paper in the U.S., and EDF will pay a constant spread of ½ per cent over the six-month interbank rate for Eurodollars.

This is cheering news for borrowers because it means that loans are still getting cheaper. Ten years at a fixed spread of a half beats the previous best of seven years chalked up in August by the French state railway. The "grace period" of eight years before EDF needs to start repayments sets a new standard as well.

But for the banks the significant news is that Credit Lyonnais, the lead manager, judged it to be impracticable to win EDF a few years with a spread of less than one half. Although awash with cash the banking market baulked at such a development.

The EDF credit almost certainly does not mark a turning point in the syndicated loan market. Loans with lesser pedigree and higher spreads will continue to get cheaper. But it does suggest that at around ½ a per cent—the point at which, mathematically, a loan ceases to make an adequate return on the capital element of around [illegible] cent which it includes—a fundamental resistance to a further decline in spreads begins to build up.

Lord Armstrong attacks Europe monetary plan

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE PROPOSED European Monetary System is worthless as at present formulated and of no advantage to Britain, according to Lord Armstrong, the chairman of Midland Bank and former official head of the Civil Service and of the Treasury.

In what he described as a personal statement, Lord Armstrong said yesterday that he did not think this particular scheme at this particular time was worth "a row of beans."

Lord Armstrong's strongly worded comments contrast with the generally cautious welcome in principle for the proposals in the City and among leading bankers.

Industry as represented by the CBI, has so far favoured the scheme, but retains reservations about the terms and conditions of entry. Most leading economists — whether of monetarist or non-monetarist views — have been critical.

The debate is likely to intensify following the clashes at Monday's joint meeting of the Cabinet and the Labour Party national executive committee. The subject is to be discussed at tomorrow's meeting of the Cabinet for the first time, while Treasury officials are due to be questioned by the Commons Expenditure committee early next month.

In his statement, Lord Armstrong said he was broadly in favour of monetary union for strategic and economic reasons, but that was a long way off.

"Although British trade with Europe is increasing, it is not overwhelming in relation to UK trade outside Europe. I see no advantage in hitching ourselves to a European currency bloc. It does nothing for us against the dollar or yen."

Lord Armstrong said that European politicians appeared reluctant to take tough political decisions that would have to precede proper European monetary union.

Analysis of a desirable European monetary scheme should start with an examination of regional unemployment, he added.

Speaking of the domestic scene Lord Armstrong played down the impact of the so-called corset restrictions on the growth of the banks' activities.

"We have switched assets and pulled back a little on personal borrowing, but we have not had to refuse or renege on customers."

As far as he could see, nobody would be caught outside the permitted corset limits for the growth of eligible liabilities.

Government intervenes in bridge dispute

By Ian Hargreaves, Transport Correspondent

THE GOVERNMENT has stepped into the dispute between the Humber Bridge Authority and British Bridgebuilders over bridge construction workers' productivity levels.

Mr. William Rodgers, the Transport Secretary, has called a meeting next week, at which the authority will explain why it is still refusing to pay £1m in progress payments to the builder on the grounds of poor productivity.

British Bridgebuilders and the relevant trade unions will also be represented.

The bridgebuilders' consortium has told the authority and its trade unions that continued refusal to pay could lead to its withdrawal from the £67m project, due for completion next year.

An emergency meeting of the authority on Friday will be asked to explain how a contract was entered into with a consortium capitalised at only £300, thus exposing the authority to the threat of withdrawal.

Councillor John Townend, leader of Humberside County Council, said last night that the authority had admitted that it did not discover the limited liability status of British Bridgebuilders until three years after the contract was signed.

News Analysis Page 9

Mitsubishi to buy 30% stake in Chrysler Australia

BY JAMES FORTH

SYDNEY, Oct. 24.

MITSUBISHI, the Japanese motor vehicle group, is to purchase a 30 per cent stake in Chrysler Australia, for about $A35.4m (£23m).

Mr. Tomio Kulba, president of Mitsubishi Motors, said in Tokyo that his group would eventually increase its share to 50 per cent. negotiations were still going on and it was hoped they would be concluded soon.

Mitsubishi's capital contribution was expected to be split equally between Mitsubishi Motors and its parent, Mitsubishi Corporation.

Mitsubishi would help Chrysler Australia restructure its local operations and would provide about one-third of the top management.

The possibility of Mitsubishi taking an equity stake in Chrysler's Australian operation was first raised in January this year—shortly before Chrysler announced a loss of $A27.8m (£16.2m) for 1977.

The group lost a further $A14m (£8.2m) in the first-half of 1978.

Chrysler Australia recently had a further setback when the Federal Government imposed fines of almost $A4m (£2.3m) for failing to meet the local content plan.

The company could have been up for payments of more than $A6m, but the Government took into account the recent steep rise in the Japanese yen which increased the price of imported car components.

Despite the first-half loss, Chrysler expects an improvement in the second-half because of the Sigma range of vehicles, which are designed by Mitsubishi, but assembled locally.

Paul Taylor writes: Links between Mitsubishi and the Chrysler Corporation date back to 1971 when Chrysler took a 15 per cent stake in Mitsubishi Motors, Japan's fourth-largest car manufacturer.

This link-up has since led to a number of marketing agreements between the two organisations. Chrysler sells a large number of Mitsubishi cars in the U.S., while Mitsubishi has begun to sell Chrysler vehicles in Japan.

Continued from Page 1

Unemployed

thought to be helping 260,000 people and keeping 172,000 off the registers, 8,000 fewer than last month.

Mr. Albert Booth, Employment Secretary, said the figures were a triple boost for the Government because of the fall in adult and youth unemployment and the rise in job vacancies.

The unadjusted UK unemployment total, including school-leavers, fell in the month to mid-October by 88,161 to 1.43m, from 6.4 to 6 per cent of the workforce. The total for Britain fell 81,801 to 1.36m, from 6.2 to 5.8 per cent.

Continued from Page 1

UK returns to Airbus project

initial UK share of design and development costs of the A-310, and about £250m spread over several years as Britain's contribution to the ongoing costs of Airbus Industrie.

These costs will include continued production of the bigger A-300, and will also take into account a change in the financial arrangements covering continued British manufacture of the wings for that aircraft.

Airbus Industrie is basically a Franco-German combine in which the French partner is Aérospatiale and the West German partner Deutsche Airbus, which in turn includes Messerschmitt-Bolkow-Blohm and VFW-Fokker.

The UK, through the Government, was originally a member of Airbus Industrie, but withdrew in 1969 on the grounds that the projected Airbus at that time was not likely to be commercially successful.

But Hawker Siddeley Aviation remained associated with the group as a private-venture, building the wings for the A-300 on a sub-contract basis.

This activity was taken over by British Aerospace on the nationalisation of the aerospace industry last year.

After much discussion at Cabinet level, and a review of a competitive offer of risk-bearing collaboration from Boeing of the U.S. on that company's new narrow-bodied 757 twin-engined jet venture, the Government decided in early September to seek resumption of membership of Airbus Industrie.

While the West German Government appeared favourable to this, the French Government objected, on the grounds that the UK was not bringing into the group a formal commitment from British Airways to buy the new A-310.

Britain's response was that it could not commit its State airline to anything. British Airways was free to choose whatever aircraft it wanted for its routes. In the event it chose the Boeing 757, with the new version of the Rolls-Royce RB-211 engine, the Dash 535.

The full details of the agreement now reached are not yet revealed, but it is understood that at least a formula has been found that enables the UK to ensure British Airways' continued independence in fleet re-equipment without totally rejecting the long-term possibility of an A-310 purchase by that airline.

Weather

UK TODAY

MOSTLY dry with sunny periods.

London, S.E., E., Cent. S. and N. England, E. Midlands, E. Anglia, Channel Is.
Dry, sunny periods developing. Max. 16C (61F).

S.W. England, Wales
Dry, sunny intervals. Max. 15C (59F).

N.W. England, Lake District, Isle of Man, S.W. Scotland, N. Ireland
Drizzle, bright intervals. Max. 15C (59F).

N.E. England, Borders, Edinburgh and Dundee, Glasgow, Cent. Highlands, Argyll, N.W. Scotland
Rain, drier later. Max. 14C (56F).

Aberdeen, Moray Firth, N.E. Scotland
Rain. Max. 12C (54F).

Orkney, Shetland
Rain. Max. 10C (50F).

Outlook: Mostly dry and sunny. Overnight fog.

BUSINESS CENTRES

		Y'day Midday °C	°F			Y'day Midday °C	°F
Amsterdm.	F	14	57	Madrid	S	20	68
Athens	F	18	64	Manchstr	C	17	63
Bahrain	S	30	86	Melbourne	C	27	81
Barcelona	F	20	68	Milan	S	15	59
Belfast	R	13	55	Montreal	S	3	37
Belgrade	S	13	55	Moscow	F	4	39
Berlin	C	13	55	Munich	F	15	59
Birmghm.	F	17	63	Newcastle	C	15	59
Bristol	C	15	59	New Delhi	S	28	82
Brussels	F	14	57	New York	S	7	45
Budapest	F	14	57	Oslo	F	10	50
B. Aires	C	30	86	Paris	F	15	59
Cairo	S	29	84	Perth	C	20	68
Cardiff	C	15	59	Prague	F	13	55
Chicago	S	5	41	Reykjavik	S	3	37
Cologne	C	14	57	Rio de J'o	S	25	77
Copnhgn.	R	11	52	Rome	S	21	70
Dublin	R	15	59	Singapore	S	31	88
Edinburgh	F	[illegible]	[illegible]	Stockholm	R	10	50
Frankfurt	C	12	54	Strasbrg.	C	11	52
Geneva	C	11	52	Sydney	S	23	73
Glasgow	F	12	54	Tehran	S	22	72
Helsinki	C	8	46	Tel Aviv	S	26	79
H. Kong	S	25	77	Tokyo	C	21	70
Jo'burg	S	21	70	Toronto	C	3	37
Lisbon	S	20	68	Vienna	F	13	55
London	C	15	59	Warsaw	F	12	54
Luxemb'g	C	8	46	Zurich	C	8	46

HOLIDAY RESORTS

Ajaccio	S	20	68	Istanbul	F	16	61
Algiers	S	22	72	Jersey	C	14	57
Biarritz	S	17	63	Las Plms.	F	25	77
Blackpool	C	14	57	Locarno	S	15	59
Bordeaux	S	17	63	Majorca	F	22	72
Boulogne	C	14	57	Malaga	F	22	72
Casablnca	F	24	75	Malta	F	20	68
Cape Town	S	18	64	Nairobi	S	24	75
Corfu	S	21	70	Naples	S	20	68
Dubrovnik	S	19	66	Nice	S	20	68
Faro	F	23	73	Rhodes	F	21	70
Florence	S	20	68	Salzburg	S	13	55
Funchal	S	22	72	Tangier	F	23	73
Gibraltar	F	[illegible]	[illegible]	Tenerife	F	22	72
Guernsey	R	11	52	Tunis	F	21	70
Innsbruck	S	14	57	Valencia	F	28	82
Inverness	R	10	50	Venice	S	14	57

S—Sunny. F—Fair. C—Cloudy. R—Rain.